



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**THE STRATEGIC ALTERNATIVES OF  
THE GULF COOPERATION COUNCIL (GCC):  
DISRUPTION OF MARITIME TRAFFIC  
IN THE ARABIAN GULF AS A RESULT OF IRANIAN  
THREATS TO CLOSE THE STRAIT OF HORMUZ**

by

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March 2012

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HORMUZ**

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## **ABSTRACT**

The Arabian Gulf is a strategically significant region of the world with regard to the global energy supply chain as well as maritime trade and commerce. For the past three decades, the region and Strait of Hormuz, in particular, have witnessed major crisis, wars, and foreign intervention which lead to undermine the stability, peace, and security of the region. Since the collapse of Saddam's regime, Iran found propitious opportunity to pursue a regional hegemony. In the name of its national security, nuclear ambitions, and protection of its self-interests, Iran has repeatedly threatened international passage, disrupted maritime shipping and interrupted oil flow through the Strait of Hormuz. On the other side, the Gulf Cooperation Council (GCC) has pursued a collective security approach to achieve balanced outcomes ensuring free oil flow, supporting stability, and maintaining security in this region. Despite these efforts, the situation remains tumultuous, confrontational and uncertain; therefore, the GCC must consider strategic alternatives to establish regional balance of power, achieve a sustainable stability, and ensure security in the Arabian Gulf region.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

ADNOC	Abu Dhabi National Oil Company
Bcf/d	Billion cubic feet per day
CIA	Central Intelligence Agency
EEZ	Exclusive Economic Zone
EU	European Union
FDI	Foreign Direct Investments
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IAEA	International Atomic Energy Agency
ICI	Istanbul Cooperation Initiative
ICJ	International Court of Justice
IRGC	Iranian Revolutionary Guard Corps
KSA	Kingdom of Saudi Arabia
LNG	Liquefied Natural Gas
mbpd	million barrel per day
NATO	North Atlantic Treaty Organization
NPT	Non-Proliferation Treaty
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
PAC	Patriot Advanced Capability
SLOC	Sea Lines Of Communication
SWF	Sovereign Wealth Funds
TEU	Twenty-foot Equivalent Unit
THAAD	Terminal High – Altitude Air Defense
UAE	United Arab Emirates
U.S.	United States
UNCLOS	United Nations Convention on the Law Of the Sea

VLCC	Very Large Crude Carrier
VLGC	Very Large Gas Carrier
WMD	Weapons of Mass Destruction



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# **I. INTRODUCTION**

## **A. MAJOR RESEARCH QUESTION**

The Arabian Gulf, which is also known as the Persian Gulf, is a strategically important region of the world with regard to the global energy supply chain, as well as maritime trade and commerce. Any Iranian actions that disrupt commercial access to the Gulf through the Strait of Hormuz will be globally significant. Therefore, in order to assess the consequences associated with the risk to regional and global prosperity, it is necessary to provide an extensive threat analysis of Iran's historical conduct and anticipated future behavior.

On the other hand, the Gulf Cooperation Council (GCC) is an agent that seeks to prevent and resolve disruptions to maritime traffic in this strategically important international shipping region. The GCC must evaluate both short and long-term alternatives, including options that address complex considerations of member states and global customers.

The role of the GCC is critical to effective risk management. A comprehensive approach based on an assessment of threat and consequence is necessary to anticipate, evaluate, and counter potential rogue actions by Iran intended to delay or halt maritime traffic through the Arabian Gulf and the Strait of Hormuz. Therefore, this thesis will focus on the following major research question:

What are the GCC's strategic alternatives in case of suspension of maritime traffic in the Arabian Gulf as a result of the Iranian threat in attempting to close the Strait of Hormuz?

## **B. IMPORTANCE**

This study is intended to provide an enhanced understanding and perspective of the true conditions that exist in the Arabian Gulf with the hope that an appropriate solution can be found. Given the various attempts in the past to address serious threats posed by rogue actions in the region, the prospects for success rely on a clear understanding of the actual conditions, and any solution must be based upon these

conditions. Devising alternative courses of action based upon a contemporary analysis of realistic scenarios would serve as an ideal case study for researchers who seek an understanding of regional political dynamics—or for policy makers whose might obtain insight from a comparative study.

Furthermore, this study serves to enrich knowledge in strategic studies. The situation in the Arabian Gulf, past and present, presents an ideal case study for those concerned with national and global security. The role of the GCC and its approach to decision-making is strategic in nature. Any aggressive event that happens in this region would have a profound economic effect on the nations concerned, and compel those in the regional governments to unify and select the appropriate courses of action from a portfolio of options.

It is important to understand how events in the Arabian Gulf—and the Strait of Hormuz, in particular—could cause regional and global crises whose implications could not only affect economies, but also could lead to mobilizing military forces. This thesis will provide analysis of the maritime security situation in the Arabian Gulf to enhance the reader's understanding of regional tensions associated with past Iranian attempts to threaten the maritime traffic and assets in the Arabian Gulf and the Strait of Hormuz. Finally, it will specify pathways to both short-term and long-term strategic alternatives that could be implemented to address threats and resolve them.

### **C. PROBLEMS AND HYPOTHESES**

The chapters and sections of this thesis pose significant questions and identify problems that would need to be addressed by the GCC. Such questions include the following:

(1) What is the importance of a geographic global choke point, in general; and why has the Arabian Gulf and its crucial entrance, the Strait of Hormuz, become an issue of eminent global concern?

(2) What is the internationally-recognized legal provision regarding straits within the United Nations Convention on the Law of the Sea (UNCLOS)? What does international law say about the status of the strait, and how should all parties concerned

regard the Strait of Hormuz, with particular regard to positions taken by the Islamic Republic of Iran regarding their territorial boundaries?

(3) What are the implications, regional and global, in cases where the Iranian regime attempts to threaten international passage in the Arabian Gulf and the Strait of Hormuz? What is the likelihood that Iran, in the name of its national security, nuclear ambitions, and protection of its self-interests, would close or block the maritime navigation in the Strait of Hormuz if threatened or pressured by superpower countries to suspend its nuclear program?

(4) What is the historic and future role of the Gulf Cooperation Council? How would the GCC pursue collective security to achieve a balanced outcome? Would the positions it takes create critical political and economic implications for the Gulf States, who are the major regional parties concerned, as well as the rest of the world? Who would be affected by the resulting oil and gas energy crisis, and how would it impact maritime security and trade in the short and long term?

(5) What are the strategic alternatives of the GCC to achieve a sustainable stability in the Arabian Gulf that ensures safe shipping for global trade and transfer of oil?

The Arabian Gulf region is considered the world's largest oil reservoir, supplying more than thirty percent of the produced oil for the entire globe.<sup>1</sup> The statistics presented indicate a significant increase in global demand for oil, as they show that the world consumed more than 85 million barrel per day (mbpd) in 2010, and is projected to reach 105 mbpd by 2030.<sup>2</sup>

In addition to its nuclear ambitions, Iran purportedly seeks to achieve regional hegemony in the Arabian Gulf by disrupting the global oil supply and maritime commerce. It is a desirable target because the revenue of countries around this region is largely generated from the oil and maritime trade, which has established and enhanced strong international political and economic relations. This threat would have negative

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<sup>1</sup> Mustafa Alani, "Toward a Comprehensive Maritime Security Arrangement in the Gulf." Middle East: 31.

<sup>2</sup> World Oil Outlook, Organization of the Petroleum Exporting Countries OPEC, 2010. 10.

consequences, mainly in the international economy. If the U.S. were to withdraw military forces from Iraq and Afghanistan, the power vacuum created would allow Iran to seek and exercise greater influence in the region. The GCC should aim to promote regional stability by enhancing the collective security, and help maintain the stability and economic prosperity, of the Arabian Gulf region.

#### **D. METHODS AND SOURCES**

In order to answer the questions posed in this thesis, a qualitative methodology would be the most appropriate approach. It provides an inductive analysis of evidence to support the alternatives. Through this process, each argument can be subjectively analyzed through the examination of data, which also provides support for assumptions made.

Data shall be collected from both primary and secondary sources. The sources include government proceedings, such as national security briefings (declassified), and press releases or statements from the government agencies concerned. Furthermore, this study shall include a broad selection of sources, including: books, journals, articles, newspapers, and magazines that describe past and present issues, viewpoints, perspectives, and conditions of the region. Using a descriptive qualitative approach, this thesis shall also highlight significant facts about the Strait of Hormuz, and to a certain extent, the Arabian Gulf region as a whole.

#### **E. THESIS OVERVIEW**

The Arabian Gulf is a strategically significant region of the world with regard to the global energy supply chain as well as to the maritime trade and commerce. For instance, Japan receives 80% of its oil from this region. The oil, liquefied gas, crew, passengers, and cargo containers with goods are transported through various types of ships via the Strait of Hormuz. In opposition to the United Nations Convention on the Law of the Sea (UNCLOS), Iran has periodically issued challenges to the right of international passage, suggesting that claims of sovereignty should prevail. This was confirmed by a statement from the head of the Revolutionary Guards General Mohammad Ali Jafari:

In light of the strategic position of the Strait of Hormuz, this issue has never been taken off the agenda...We have not stopped there... we are seeking to use our defense capabilities in open waters...This means that should the enemy try to pose a threat against the Islamic republic from outside the Strait of Hormuz, we will have the power to retaliate in kind. This strategy is now on our agenda.<sup>3</sup>

As an economic consequence, the world's energy supply chain could be significantly disrupted—at any time—if the Strait of Hormuz was closed to shipping. Diplomatic and military consequences may be employed in the event of a confrontation.

Maritime passage through the Strait of Hormuz is critical to the economic health in the region, and the globe if we consider how the world is economically interdependent. This thesis will evaluate the supply chain and the global strategies that consumer nations have adopted to ensure energy security. Would the economic analysis considered by GCC decision-makers include costs associated with disruptions of the supply chain for commodities movement world-wide, or would it be limited to the direct costs and short-term impacts to the Gulf States? The economic analysis will include a description of past, present, and projected future shipping movements through the region. This is intended to reinforce the economic importance of open and free international passage.

Except where inclusion of such information serves to explain cultural attitudes or describe economic impacts, the environmental elements associated with UNCLOS and commerce will not be included within the scope of this thesis. However, a description of the commercial supply chain from production to delivery will be outlined. Particular detail will be provided to emphasize how the Strait of Hormuz is a geographic “choke point” for shipping lanes on approach and departure, to give the reader an appreciation of its vulnerability.

Currently, the Gulf Cooperation Council (GCC) represents six states of the Arabian Gulf.<sup>4</sup> This thesis will examine the charter, membership, and historic activities of the GCC. It will assess cultural factors that influence decision-making by members,

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<sup>3</sup> Iran Guards ready to close Strait of Hormuz," *Inside of Iran*, accessed August 18, 2011. Accessed August 18, 2011. <http://www.insideofiran.org/en/categoryblog/1753-iran-guards-ready-to-close-strait-of-hormuz.html>

<sup>4</sup> GCC was established in May 25th, 1981 and included the following six Arab states located along the Arabian Gulf: Bahrain, Kingdom of Saudi Arabia, Kuwait, Oman, Qatar, and United Arab Emirates.

consider how consensus is reached, and examine how regional leadership has overcome past confrontations involving international passage in the Strait of Hormuz. It will pose the question: historically, have the individual personalities of the GCC members played a significant role in developing consensus, or does the GCC charter and operating procedures provide a robust and nimble foundation for decision-making that transcends human factors?

Examining the background of relations with Iran is important to understanding all options that the GCC has at its disposal. Iran's historic relationships with Arabian, as well as contemporary conditions internal to the country, serve to provide useful information for decision-makers who may be impacted by threats to shipping in the region. This thesis will discuss the importance of these relationships, and analyze how Iran's behavior and attitude has been managed when commercial passage through the Strait of Hormuz was threatened.

Various diplomatic options are available to the GCC. The council's ability to achieve consensus depends on the politics of the day, economic conditions, and complex relationships between individual states. Some considerations are expressed publicly, other are only discussed privately. Both have an influence on the amount of time it takes to achieve consensus. The process depends upon a variety of social, economic, and political considerations. Does the GCC decision-making process balance the interests of the region with short and long-term global energy security concerns? Are its activities acceptable to the cultures within the Gulf States and synchronized with the rest of the world's commercial maritime community? Because a detailed analysis of these factors is beyond the scope of this thesis, the analysis will be limited to those factors that influence consensus in a case study presented later in this thesis.

What are the best options to regional partners faced with contemporary threats to the global energy supply chain posed by a marine traffic stoppage through the Arabian Gulf and the Strait of Hormuz? This thesis will discuss short-term alternatives as well as long-term strategies. Opportunities for strategic investment and economic partnership will be considered. To reinforce discussion of the various options and selection of an approach, lessons learned from past events will be presented in a case study for a



hypothetical event. Social, economic, and cultural elements presented early in this thesis will be integrated into the scenario to reinforce the importance of these considerations made by GCC members. Issues of varying urgency and sensitivity will be presented, serving to demonstrate to the reader how quickly and effectively the body might respond to a variety of important priorities. It will identify potential limitations. It will also assess some of the risks associated with ineffective decision-making by the GCC and subsequent actions individual states might make to protect regional prosperity.

In conclusion, this thesis will summarize the importance of the Strait of Hormuz and reiterate the risk to regional and global prosperity posed by any Iranian actions to disrupt commercial access to it. It will provide an analysis of Iran's historic conduct and anticipated future behavior. It will evaluate the potential of the GCC as an agent for the prevention and resolution of disruptions to maritime traffic in this strategically important international shipping passage. It will discuss alternatives available to the GCC, both short and long-term, including the costs and benefits associated with each proposed solution. Finally, it will summarize options to be considered by member states and global customers to more effectively anticipate, evaluate, and counter future rogue actions by Iran intended to delay or halt maritime traffic through the Strait of Hormuz.

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## **II. THE MOST IMPORTANT GLOBAL CHOKEPOINT “STRAIT OF HORMUZ”**

### **A. INTRODUCTION**

The Strait of Hormuz is an international waterway connecting the Arabian Gulf region—which has the largest production and reserves of oil in the world—to global markets. The strait is the only passage for oil tankers from the Gulf to other parts of the world. Therefore, the developed industrial countries have a strategic interest in the strait. Through the strait passes more than two-thirds of the Organization of the Petroleum Exporting Countries’ (OPEC) production. The emergence of oil production increased the importance of the region as the world became economically integrated and interdependent due to globalization and technology. Thus, any interruption of Gulf oil or closure of the strait, depriving the world of over 8 million barrels of oil daily, would lead to a global crisis in the lack of energy supply and an increase in world market prices.

There are eight countries located on the Arabian Gulf: Iraq, Iran, and the six Gulf Cooperation Council (GCC) states—Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the U.A.E. These states have developed maritime ports for maritime transportation, shipping industry, fishing, and international trade. The eight countries have used oil and gas revenues in huge and intensive projects such as building internal security forces, infrastructure programs, petrochemicals, ships industry, and ports expansion. This development allowed for further increases in the amount of trade with regional countries. A large number of oil, gas, and bulk tankers navigate through the strait. It is also difficult to navigate in the Arabian Gulf for several reasons: the high density of shipping traffic, the shallow depths ranging from 150 to 350 feet, the presence of many islands in the sea routes, and the scattered offshore oil/gas platforms and pipelines.

The oil wealth and revenue in the Gulf region and the strait of Hormuz has generated internal disputes as well as conflicts between the states. In general, the region has witnessed critical events that affected the oil market and were critical threats to energy security. Such events were: Iranian oil nationalism under Mosaddegh (1951), the Iranian revolution (1979), the Iran-Iraq war (1980–88), the invasion of Kuwait (1990),

the 9/11 attacks (2001), and the invasion of Iraq (2003). The region has become one of the most unstable areas in the world. More recently, the Gulf region has been confronted with the threat of radicalism and attacks by terrorist groups or states that support those groups. In addition, the Iranian nuclear program threatens the stability and the security of the region.

## **B. THE IMPORTANCE OF THE STRAIT TO THE ARABIAN GULF REGIONAL COUNTRIES**

The regional Gulf countries realize the importance of the strait as the vital lifeline for exports (which is mainly the outflow of oil and gas), and imports (which is the inflow of goods and services in return). The importance varies from one country to another: Oman and UAE have alternative maritime ports in the Gulf of Oman; while Iraq, Kuwait, Qatar, and Bahrain have no alternatives other than to use the Strait of Hormuz. In addition, Saudi Arabia has alternative ports on the Red Sea. Although Iran has ports in the Arabian Gulf and the Gulf of Oman, their main oil export facilities remain within the Arabian Gulf. Therefore, Iran has no viable maritime oil exporting alternatives.

In 1968, Great Britain abandoned and relinquished its military outposts in the Gulf region.<sup>5</sup> As the United States engaged in the Cold War against the Soviets, the U.S. established strong relations with the Gulf States to assure its national interests. Consequently, the U.S. presidential doctrines of Truman, Eisenhower, Nixon, and Carter through Bush II were focused on ensuring free oil flow, supporting stability, and maintaining security in this region.<sup>6</sup> This focus on the region has continued until today. The U.S. maintains a significant military presence in many Gulf States, such as the U.S. Navy Fifth Fleet in Bahrain, the U.S. Air Force Central Command base in Qatar, and the U.S. Army base in Kuwait.<sup>7</sup> In addition to the war on terrorism, the military presence has

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<sup>5</sup> Kenneth M. Pollack, "Securing the Gulf." *Foreign Affairs* 82, no. 4 (Jul. - Aug., 2003): 2-16. Accessed November 21, 2011. <http://www.jstor.org.libproxy.nps.edu/stable/20033645>

<sup>6</sup> Irene Gendzier, 'Oil, Iraq and U.S. Foreign Policy in the Middle East', *Situation Analysis*, no.2, Spring 2003, 21. <http://manghani.free.fr/sa/issue2/gendzier.pdf>

<sup>7</sup> James A. Russell, "Regional threats and security strategy: The troubling case of today's Middle East," Strategic Studies Institute, November 20, 2007, 30.

also served as a balance of power to prevent any hostile state from controlling the resources of the region, which could be used to blackmail, manipulate, and extort the world.<sup>8</sup>

### **C. THE ARABIAN GULF AT A GLANCE**

The Arabian Gulf has been an important maritime region throughout history. It linked ancient civilizations—Mesopotamian and Indian—by sea trading. In recent history, this commercial importance has continued for the maritime superpowers concerned with this region. This common interest and its geographic location play a dominant role in the contemporary balance of international politics.

In the sixteenth century, the Portuguese, Dutch, and English realized the importance of the Gulf. Therefore, they began competing to dominate this part of the world as the best way to India. This rivalry between the colonial powers ended in favor of Britain, which controlled the fate of this region and its resources for a long time using treaties of protection with Oman and the coastal states which are known as the United Arab Emirates (UAE). Later, Britain signed treaties of protection with Bahrain, Kuwait, and Qatar. Under these treaties, the British were responsible for foreign affairs and protection of the region, which ensured their absolute control for more than seven decades. After the Second World War and the establishment of the United Nations, Great Britain recognized that states should have the right to self-determination. Therefore, the Gulf States, which had been under British control, gained autonomy and became independent sovereign states.

The discovery and emergence of oil in this part of the world not only changed the social life of people in many Gulf States, but it also became the main incentive to their economic growth and development. In addition, the industrialized and developed nations of the world (e.g., the United States, Europe, Russia, China, and Japan), which obtain more than 70% of their oil from the Gulf, have significantly reestablished their political and economic linkages and relations with Gulf States, including Iraq and Iran.

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<sup>8</sup> Pollack, 4.

The geographical location and economic growth of the Gulf encouraged substantial direct foreign investments from international corporations to businesses in the region. It is presently evident that the Gulf region is highly integrated in the global economy<sup>9</sup> and has become a primary international business center and main trade hub, especially in the fields of international shipping, port services, and industries associated with shipping.

#### **D. THE GEOGRAPHICAL IMPORTANCE OF THE GLOBAL MARITIME CHOKEPOINTS**

Global maritime channels and straits form passageways and access points in the international navigation and sea lines of communication (SLOC). Some have emerged as chokepoints that have prominent and strategic importance as critical and sensitive locations in terms of trade, geography, and politics.<sup>10</sup> The Straits of Hormuz, Malacca, Bab el-Mandeb, Bosphorus, Gibraltar, Dover, and man-made channels—Panama and Suez—are statistically among the most significant and busiest chokepoints. These bottlenecks have geographically and economically fueled the explosive growth of global maritime trade by linking the continents: Asia, Europe, Africa, North America, and South America.

The global economy has become integrated and interdependent due to industrialization, globalization, and advancements in technology. Thus, any disruption of the maritime supply chain could lead to a substantial interruption in the flow of trade and shipping that would ultimately affect the global energy supply and energy prices. As a result, it could cause small and large-scale conflicts which would have regional and global economic repercussions.

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<sup>9</sup> Yousif Khalifa Al-Yousif, *Oil Economies and Globalization: The Case of GCC Countries*, *Proceedings of the Middle East Economic Association*, 6, 2004. Accessed November 18, 2011. <http://www.luc.edu/orgs/meea/volume6/al-yousif.pdf>

<sup>10</sup> Yoel Guzansky, Gallia Lindenstrauß, and Jonathan Schachter, “Power, Pirates, and Petroleum: Maritime Choke Points in the Middle East”, *Strategic Assessment*, Volume 14, No.2 (July 2011), 5.

## E. MARITIME TRAFFIC IN THE ARABIAN GULF

It is worth noting that the evolution and progress in global economic growth has relied primarily upon sea shipping, which alone accounts for more than 80% of international trade.<sup>11</sup> Seaborne trade could reach two billion tons within the next two decades.<sup>12</sup> This would include the most important demand and supply commodities such as oil, petroleum products, gas, coal, iron ore, steel, aluminum, metals, wood, electrical/electronic goods, machinery, consumer/textile goods, motor vehicles, livestock, and agricultural commodities. The maritime chokepoints have played a vital role in this trade. Historically, some of these chokepoints were part of the water routes of the Silk Road. Many countries, such as the United States, established doctrines and air/naval capabilities to protect and secure their vital interests under the banner of regional security and stability. Many nations built huge maritime fleets—to boost their trade and economy—realizing the importance of the chokepoints that connect oceans and seas. For the volumes and quantities of tonnage shipped, international maritime transportation is the most cost-effective alternative when compared with land or air modes.<sup>13</sup>

In terms of trade routing and transit infrastructure, chokepoints are narrow channels that lay along heavily-used global sea routes. Some of them are so narrow that navigation restrictions have been established that limit the size of various vessels seeking passage. Experts suggest that the security of these chokepoints is a critical part of global energy security, owing to the high volume of oil that moves through them.<sup>14</sup>

In the year 2009, world oil production amounted to approximately 84 million barrels per day, of which the United States consumed 21 million barrels, China consumed

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<sup>11</sup> “Review of Maritime Transport 2010,” United Nations Conference on Trade and Development, Accessed November 11, 2011. <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=5746&lang=1>

<sup>12</sup> Donna J. Nincic, “Sea Lane Security and U.S. Maritime Trade: Chokepoints as Scarce Resources,” Chapter 8 in *Globalization and Maritime Power*, 2002.

<sup>13</sup> J-P Rodrigue, and Micheal Browne, *Chapter 10: International Maritime Freight Movements*, in R.D. Knowles, J. Shaw and I. Docherty (eds) *Transport Geographies: Mobilities, Flows and Spaces*, London: Blackwell, 2008.

<sup>14</sup> Amy Myers Jaffe, “Energy Security: Implication for U.S.-China-Middle East Relations,” Prepared in Conjunction with an Energy Conference Sponsored by the Shanghai Institute for International Studies and the James A. Baker III Institute for Public Policy, *Rice University*.<sup>13</sup>

6.4 million barrels,<sup>15</sup> and Japan and India consumed 4.3 and 2.9 million barrels, respectively. About half of the 84 mbpd was moved by tankers on various fixed maritime routes. Historically significant decisions, such as the decision of Winston Churchill to switch from coal to oil as the source of energy to propel the Royal Navy ships,<sup>16</sup> elevated the global importance of oil, not only because it was an abundant source of energy, but also due to its widespread uses in industry and transportation. Consequently, the Arabian Gulf emerged as a critical region and central supply source in the global oil market and the emerging contemporary world economy. To date, the Gulf region has produced almost one-quarter of total global oil production, and presently holds almost sixty percent of the world's known oil reserves and more than forty percent of the world's gas reserves.<sup>17</sup> However, the only maritime entrance or exit passage in the Arabian Gulf to export the oil, or import goods, is through the chokepoint of the Strait of Hormuz.

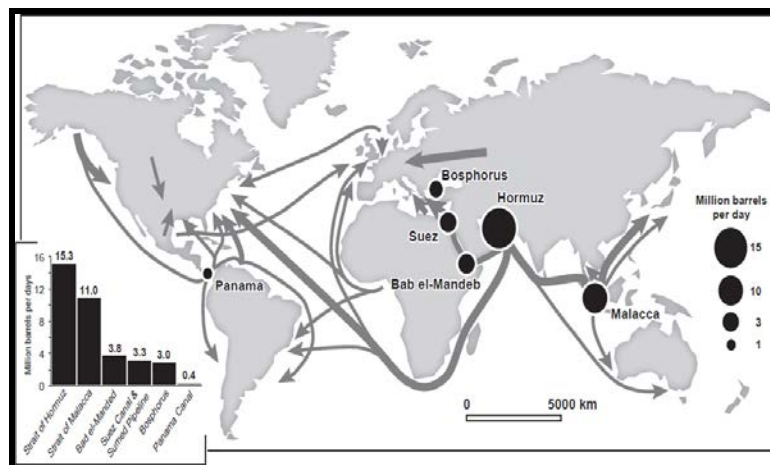


Figure 1. Major Chokepoints and Oil Transited at Major Strategic Locations<sup>18</sup>

<sup>15</sup> Thomas D. Kraemer, *Addicted to Oil: Strategic Implications of American Oil Policy*, Carlisle Papers in Security Strategy, Strategic Studies Institute of the U.S. Army War College, 31 May 2006.

<sup>16</sup> Erik J. Dahl, "Naval Innovation: from Coal to Oil," *Joint Force Quarterly* 27 (Winter 2000–01): 50–56. Accessed November 11, 2011. [http://www.dtic.mil/doctrine/jel/jfq\\_pubs/1327.pdf](http://www.dtic.mil/doctrine/jel/jfq_pubs/1327.pdf)

<sup>17</sup> Daniel Yergin, *The quest: energy, security and the remaking of the modern world*. (New York: Penguin Press, 2011). 284.

<sup>18</sup> Jean-Paul Rodrigue, Straits, Passages and Chokepoints: A Maritime Geostrategy of Petroleum Distribution, *Cahiers de Géographie du Québec*, Volume 48, number 135, pages 357 – 374.



## **F. THE MOST CRITICAL GLOBAL CHOKEPOINT:THE STRAIT OF HORMUZ**

The Strait of Hormuz is situated between two shores; the northern shore belongs to Iran and the southern shore belongs to Oman and United Arab Emirates.<sup>19</sup> The strait links the Arabian Gulf with the Gulf of Oman and adjoins the Arabian Sea. Due to the daily passage through the strait of large amounts of oil—almost 15.5 million barrels in 2009—Hormuz has become the world’s most important oil transportation chokepoint, with approximately 90 ships daily.<sup>20</sup> This includes 13–15 crude oil tankers navigating through it daily eastbound, and almost as many westbound.<sup>21</sup> The region supplies major global markets. The Asian market, which is the most important customer for Gulf oil, gets nearly 75% of its total oil imports.<sup>22</sup> The region supplies Europe with 30% of its oil import needs.<sup>23</sup> The U.S imports around 22% of its oil from the Gulf, which makes up approximately 12% of the U.S.’s oil demand.<sup>24</sup> The region also supplies Australia with almost 14% of its oil import needs.<sup>25</sup>

The narrowest point of the strait is 21 miles across; however, each of the navigable shipping lanes is no more than two miles wide, divided by a two-mile buffer zone. The strait is deep and broad enough to accommodate the world’s largest crude oil tankers. Approximately two-thirds of oil shipments passing through the strait are carried by tankers in excess of 150,000 tons.<sup>26</sup>

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<sup>19</sup> Yergin, 303.

<sup>20</sup> Peter J. Pham, Iran’s Threat to the Strait of Hormuz: A Realist Assessment, American Foreign Policy Interests, #32, 2010, 65.

<sup>21</sup> Ibid, 65.

<sup>22</sup> Michael Richardson, Asia’s Middle East Oil Dependence: Chokepoints on a Vital Maritime Supply Line, March 2007.

<sup>23</sup> Ibid, Executive Summary.

<sup>24</sup> Ibid, Executive Summary.

<sup>25</sup> ACIL Tasman, *Petroleum import infrastructure in Australia – Main Report*, August 2009, 4–5.

<sup>26</sup> U.S. Energy Information Administration Independent Statistics and Analysis, “World Oil Transit Chokepoints: Strait of Hormuz,” U.S. Energy Information Administration.  
[http://www.eia.doe.gov/cabs/World\\_Oil\\_Transit\\_Chokepoints/Hormuz.html](http://www.eia.doe.gov/cabs/World_Oil_Transit_Chokepoints/Hormuz.html).

Every year, more than 17,500 tankers and 7,300 cargo ships pass through the strait.<sup>27</sup> According to analysts,<sup>28</sup> the major ports in the Gulf region will undergo significant expansion and development due to the high market demand for containerized goods. Demand increased from 4.46 million TEU<sup>29</sup> in 1995 to almost 15 million TEU in 2006, which gave the Gulf the largest share of container and port development in the Middle East. Demand is expected to further increase by more than 40% over the next ten years. Hence, the Gulf region is among the most congested maritime spots in the world.

#### **G. THE DEVELOPMENT OF UNITED NATIONS CONVENTIONS ON THE LAW OF THE SEA (UNCLOS) AND THEIR IMPLICATIONS FOR INTERNATIONAL STRAITS**

Prior to the 1958 Geneva Conventions on the law of the sea and the development of UNCLOS, the maritime nations regulated the seas under customary law and international agreements, known as maritime law, which that were regarded as legal practice and widely accepted by the majority of those nations. The law encompassed customs and rules to regulate the freedom of navigation on the high seas, and passage through territorial seas, international straits, and archipelagoes.<sup>30</sup> An example of this is the three-mile limit.<sup>31</sup> Initially, the maritime states claimed sovereignty of territorial seas based on the range of the protection provided by shore-based cannon towards the sea.<sup>32</sup>

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<sup>27</sup> Rear Adm Khan Hasham Bin Saddique, "Challenges in Indian Ocean," *Maritime Security* (November 16, 2011). Accessed December 02, 2011. <http://maritimesecurity.asia/free-2/maritime-security-asia/challenges-in-indian-ocean-0/>

<sup>28</sup> *Strong container port demand outlook in the Middle East and South Asia*. England: Ocean Shipping Consultants Ltd, 2007. [http://www.maritime-rh.com/maritime\\_docs/ocs\\_press\\_releases/Containerport\\_Markets\\_ME\\_SA\\_to\\_2020.pdf](http://www.maritime-rh.com/maritime_docs/ocs_press_releases/Containerport_Markets_ME_SA_to_2020.pdf)

<sup>29</sup> The twenty-foot equivalent unit "TEU" is a unit of volume measurement which represents the cargo capacity on ships, equivalent to a 20-foot container.

<sup>30</sup> Steven Groves, "Accession to the U.N. Convention on the Law of the Sea Is Unnecessary to Secure U.S. Navigational Rights and Freedoms," Heritage Foundation *Backgrounder* No. 2599, August 24, 2011, 2. <http://www.heritage.org/Research/Reports/2011/08/Accession-to-UN-Convention-Law-of-the-Sea-Is-Unnecessary-to-Secure-U.S.-Navigational-Rights-Freedoms>

<sup>31</sup> H. S. K. Kent, "The Historical Origins of the Three-Mile Limit," *The American Journal of International Law* (American Society of International Law) 48 (4), 1954, 537–553.

<sup>32</sup> *Ibid*, 537–553. In addition to the range of the cannon, Kent also argued that the three-mile limit derived from a unit used for measurement at sea which was called a "league."

Over the years, many states developed maritime capabilities in terms of fleets and weapons. These states also realized the importance of the natural resources of the seas and oceans which adjoined their coasts. Therefore, many of them began to extend their sovereignty—not only over their own territorial waters, but to the waters beyond their territorial boundaries as well—to gain control over their energy and mineral resources and fish stocks, protect the maritime environment from pollution, and regulate marine scientific research. Conflicts and disputes began to rise in the international arena. Consequently, the United Nations initiated conferences to prevent the escalation of conflicts and disputes between maritime states.

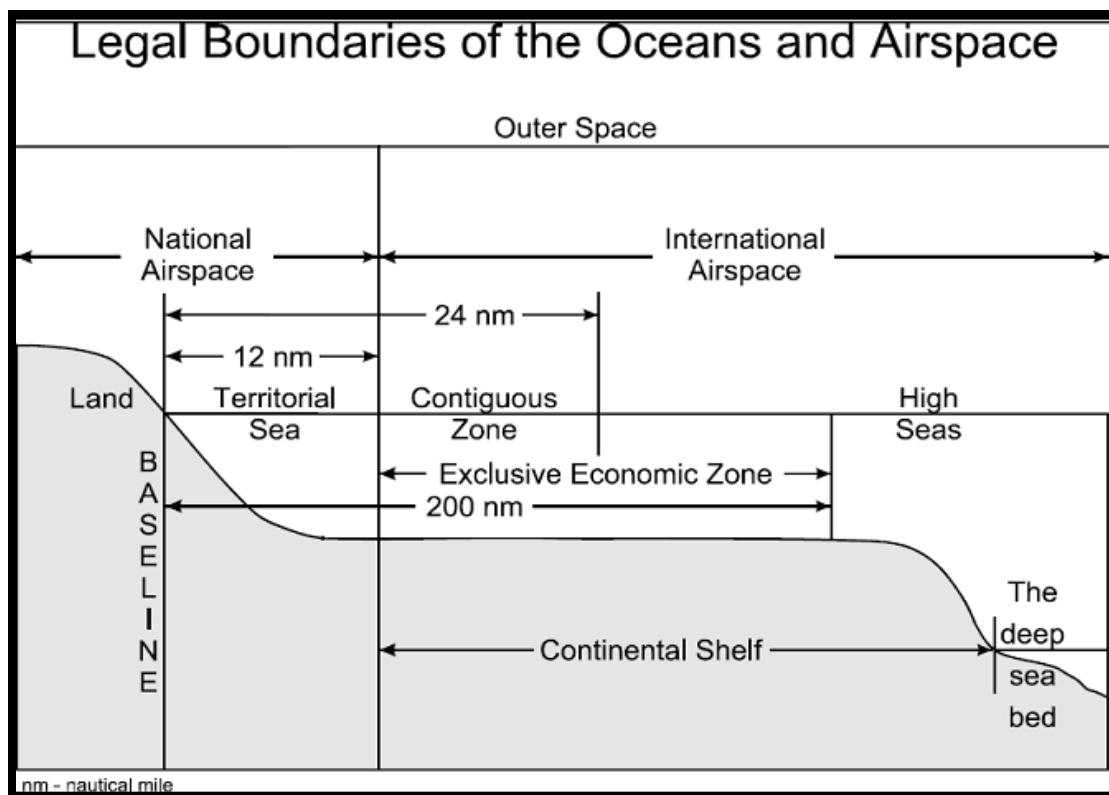


Figure 2. Legal Boundaries of the Oceans and Airspace<sup>33</sup>

Since 1956, the UN has held three conventions associated with the Law of the Sea. The first, “UNCLOS I,” was held in 1956; the second, “UNCLOS II,” was held in

<sup>33</sup> The Commander's handbook on the law of naval operations, July 2007, Reprint, Washington, D.C.: Dept. of the Navy, Office of the Chief of Naval Operations, 1–3.

1960; and the third, “UNCLOS III” began in 1973 and ended with the ratification of a treaty by each state in 1982. The UNCLOS III treaty came into force in 1994. Unfortunately, not all states signed the treaty. Some of the most significant achievements of UNCLOS III were: the number of participant states, which reached more than 150;<sup>34</sup> the provision of the states’ legal extension of their territorial sea boundaries to 12 nautical miles; the provision of the states’ rights in maritime-related issues, such as innocent passage, transit passage, over flight, laying submarine cables and pipelines, Exclusive Economic Zone (EEZ), continental shelves, and the establishment of a dispute settlement framework that could involve either the International Tribunal for the Law of the Sea, the International Court of Justice, or arbitration.

## **H. THE UNCLOS AND IMPLICATIONS FOR THE STRAIT OF HORMUZ**

The Islamic Republic of Iran and the Sultanate of Oman are the two states that border the Strait of Hormuz. Only 21 nautical miles separate the two countries at the narrowest point.<sup>35</sup> Oman signed and ratified the treaty of UNCLOS III, whereas Iran signed but never ratified it.<sup>36</sup>

Prior to the Iranian Act of April 12, 1959, the traditionally territorial sea boundaries of both Iran and Oman were at the three-mile limit, later extended to six miles.<sup>37</sup> This limit kept the Strait of Hormuz open as a high seas corridor which allowed vessels, including foreign warships, to transit freely. Iran then passed the Act of 1959, which declared an expansion of its territorial limits to 12 nautical miles from shore, and the right for it to control innocent passage through the waters it had declared within its

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<sup>34</sup> United Nations Convention on the Law of the Sea (UNCLOS), December 10, 1982. Accessed November 9, 2011.  
[http://www.un.org/depts/los/convention\\_agreements/convention\\_overview\\_convention.htm](http://www.un.org/depts/los/convention_agreements/convention_overview_convention.htm)

<sup>35</sup> Commander R. H. Kennedy, “A Brief Geographical and Hydro Graphical Study of Straits Which Constitute Routes for International Traffic,” A/CONF.13/6 and Add.1, extract from Official Records of the United Nations Conference on the Law of the Sea, Vol. 1, 1958,. Accessed July 18, 2011.  
[http://untreaty.un.org/cod/diplomaticconferences/lawofthesea-1958/docs/english/vol\\_1/9\\_A-CONF-13-6\\_PrepDocs\\_vol\\_I\\_e.pdf](http://untreaty.un.org/cod/diplomaticconferences/lawofthesea-1958/docs/english/vol_1/9_A-CONF-13-6_PrepDocs_vol_I_e.pdf)

<sup>36</sup> Groves, 18.

<sup>37</sup> Charles G. MacDonald, “Iran’s Strategic Interests and the Law of the Sea.” *Middle East Journal*, vol. 34, no. 3, Summer 1980, 305–306.

control.<sup>38</sup> Subsequently, Oman produced a royal decree in July 1972 to expand its territorial waters to reach 12 nautical miles from shore as well.<sup>39</sup> Thus, the high seas corridor had totally vanished.<sup>40</sup>

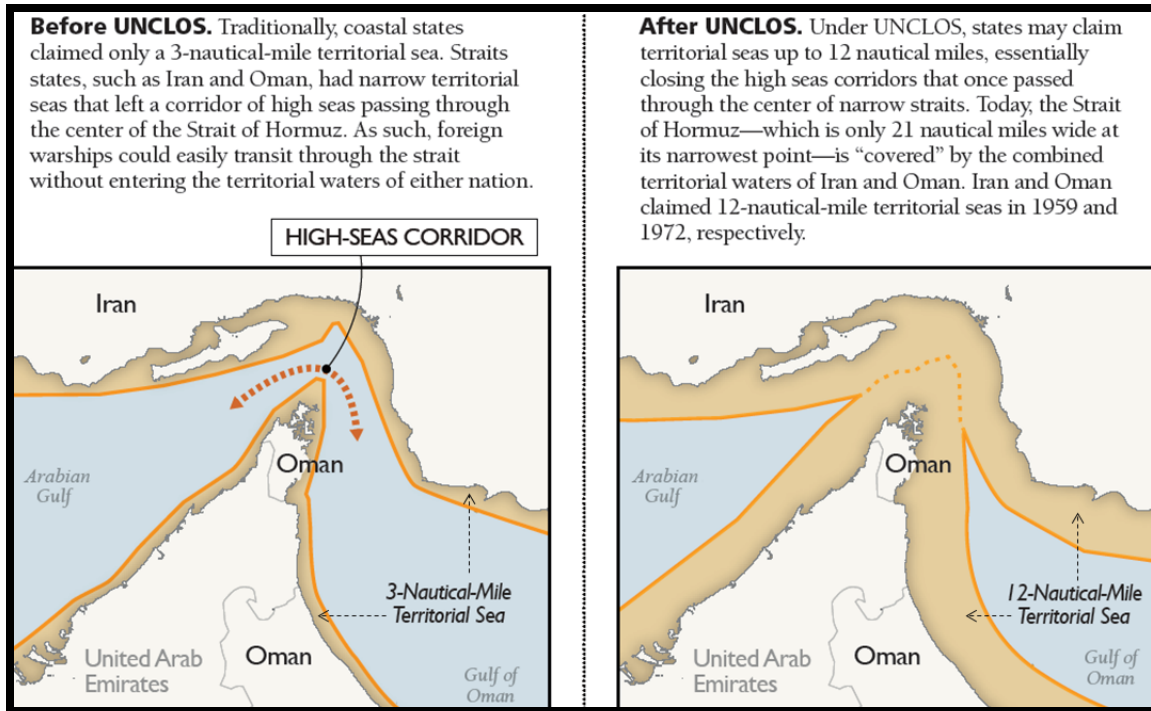


Figure 3. The Strait of Hormuz before and after UNCLOS<sup>41</sup>

The Strait of Hormuz, at its narrowest point, became an integral part of the territorial seas, according to these claims of Iran and Oman. These claims were based on their national interests; therefore, both governments insisted that foreign warships, submarines, and aircraft must obtain prior permission to exercise innocent passage through the strait. Iran and Oman regarded the strait as part of their territorial seas.<sup>42</sup> On the other hand, the rest of Gulf States regarded the Strait of Hormuz as one of many

<sup>38</sup> Ibid, 305–309.

<sup>39</sup> Ibid, 389–398.

<sup>40</sup> Groves, 19.

<sup>41</sup> Ibid, 19.

<sup>42</sup> Ibid, 19–20.

international straits used for international navigation. According to them, the right of transit passage and the freedom of navigation should be accepted as reflected in UNCLOS.

In 2010, the defense ministers of the Islamic Republic of Iran and the Sultanate of Oman held a meeting in which both agreed to provide mutual cooperation and coordination in the field of defense, security, and protection for the Strait of Hormuz. The meeting came after the attack by unknown parties on a Japanese supertanker crossing the strait.<sup>43</sup>

## **I. CONCLUSION**

The Arabian Gulf region remains one of the most unstable regions in the world. The region became interdependent with the world economy to meet the vast global demands of energy and serve as a trade hub for international shipping. Oil and gas exported from the region must pass through the Strait of Hormuz, which is the only sea entrance and exit to the Arabian Gulf.

The Strait of Hormuz has become the focus of a dilemma between two parties that both claim their rights under UNCLOS. Iran, along with Oman, reserve the right—which is driven by self-interest—to expand their territorial seas 12 NM and control navigation through the strait. The rest of Gulf States seek a utilitarian approach that keeps the strait unthreatened and freely open for international navigation without any restriction by coastal states.

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<sup>43</sup> “Iran and Oman to provide security for the Strait of Hormuz,” Gulf News, August 4, 2010, Accessed July 19, 2011. <http://gulfnews.com/news/gulf/oman/iran-and-oman-to-provide-security-for-the-strait-of-homuz-1.663868>

### **III. THE REGIONAL AND GLOBAL IMPLICATIONS IN CASE IRAN ATTEMPTS TO CLOSE THE STRAIT OF HORMUZ**

#### **A. INTRODUCTION**

The Strait of Hormuz is generally considered one of the most essential maritime chokepoints existing today in terms of the worldwide energy system.<sup>44</sup> In 2009, approximately 15.5 mbpd of crude oil was shipped via the strait daily. This represent a fifth of daily oil consumption worldwide. Hormuz strait is 21 miles wide at its narrowest point, with shipping lanes that are split by a separation zone that is two mile wide.

Iran is situated strategically on the east and north of the strait. Two of its naval bases are situated at the approaches to the strait in the Bandar-e Abbas and Chah Bahar. Iran has frequently threatened to disrupt oil flow through the Strait of Hormuz and destabilize the Arabian Gulf region, especially in response to insecurity.<sup>45</sup> The threat of closure of the strait is one of the major energy security concerns globally. Approximately 90% of Arabian Gulf oil must pass through the Strait of Hormuz. Closure of the strait would eliminate approximately one-quarter of global oil from the market. With regard to this issue, many questions have been raised about Iran's capability to disrupt oil flow through the strait, and the potential impact to regional economies and the global energy system. Repeated reports of Iran's intentions have been accompanied by predictions of the catastrophic impacts this action would have on oil prices and the global supply chain. Additionally, closure of the strait could result to harsh economic conditions for Iran. Yet, even in light of the implications, Iran continues to make threats to close the strait.

This chapter attempts to clarify the likely regional and global implications in the event that Iran attempts to close the Arabian Gulf to maritime activity by blocking the Strait of Hormuz. This chapter considers the likelihood that Iran—in the name of its national security, nuclear ambitions, and protecting its self-interests—would close or

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<sup>44</sup> Eugene Gholz et al., "Strait of Hormuz: Assessing Threats to Energy Security in the Persian Gulf," 20 August 2008. The Robert S. Strauss Center for International Security and Law, The University of Texas at Austin, 1.

<sup>45</sup> Rodney A Mills. "Iran and the Strait of Hormuz: Saber Rattling or Global Energy Nightmare." Naval War College. Newport, RI. Unpublished paper, 2008.

block maritime navigation in the Strait of Hormuz if threatened or pressured by superpower countries seeking suspension of Iran's nuclear program.<sup>46</sup>

## **B. IRAN POSES THREAT TO CLOSE THE STRAIT OF HORMUZ**

For thirty years or more, Iran has periodically threatened to close the Strait of Hormuz as a punishment to its enemies. Each threat to cut off the world's oil supply has probably contributed to the increase of oil prices to today's record heights. The Iranians actually attempted to partially close the strait in 1987–88.<sup>47</sup> However, the effects they had intended were not realized as the attacks did not cause a significant economic damage to the targeted Gulf States; they instead provoked an American response that was quite costly to Iran.

Iranian officials have continuously engaged in an escalated war on words to threaten the Arabian Gulf and Hormuz.<sup>48</sup> The Supreme Iranian leader, Ayatollah Ali Khamenei, cautioned the U.S. that it should not initiate an attack against Iran—and that if it attempted to do so, the United States' shipping and its maritime assets in the Arabian Gulf “shall be the first targets of Iran.”<sup>49</sup> The commander of Iran's Revolutionary Guard, Ali Mohammed Jafari, stated that in the case of attacks on Iran by the United States or Israel, it would close off the Strait of Hormuz and oil/gas facilities in the Arabian Gulf to wreak chaos in oil markets. This statement was followed by another, more confusing, threat from Iran's oil minister and other officials, who seemed to reiterate the leader's rhetoric that an attack on Iran would result in disruption of the world's oil supply.<sup>50</sup>

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<sup>46</sup> Ibid, 2.

<sup>47</sup> Paul Rivlin, *World Oil and Energy Trends: Strategic Implications for Middle East*, Jaffee Center for Strategic Issues, 2000, 16.

<sup>48</sup> Anthony Cordesman and Alexander Wilner, *Iran and the Gulf military balance-I: The Conventional and Asymmetric Dimensions*. Washington, D.C.: Center for Strategic and International Studies, February 20, 2012. 17–25.  
[http://csis.org/files/publication/120221\\_Iran\\_Gulf\\_MilBal\\_ConvAsym.pdf](http://csis.org/files/publication/120221_Iran_Gulf_MilBal_ConvAsym.pdf)

<sup>49</sup> Quoted in Ali Akbar Dareini, “Ayatollah Warns West against Action,” Associated Press, June 5, 2006.

<sup>50</sup> Fariborz Haghshenass, *Iran's asymmetric naval warfare*. Washington, DC: Washington Institute for Near East Policy, 2008, 9.



In reaction to this, the United States gave a warning that closure of the strait by Iran would be regarded as an act of war, and that the U.S. would not tolerate Iran holding hostage almost a third of the global oil supply.

An article in the journal *International Security*<sup>51</sup> asserted that Iran could impede shipping through the strait for a month, and any effort by United States to reopen the strait would possibly escalate the conflict. However, in a later issue, the journal published responses that questioned key assumptions of the article and suggested actions would result a shorter re-opening timeline. On February 8, 2010, Ayatollah Ali Khamenei declared that “on 11<sup>th</sup> February, which would be the 31<sup>st</sup> anniversary of the revolution of Iran, the nation of Iran would punch the superiority of the western countries in a way that they will be left stunned.”<sup>52</sup>

Since that declaration, analysts have expressed the opinion that despite their threats, Iran could not close the strait. Instead, the most it can do is instill fear and uncertainty into the energy markets through its threats of interruption.<sup>53</sup> However, the actual release of small quantities of explosive mines, for example, would produce significant results. Such an act would disrupt energy markets and stimulate costly insurance premium increases within the marine industry. The main barrier for Iran would be shipping the mines through the waterway that is monitored very closely by the U.S. Navy.

To carry out its threats, it is anticipated that the Iranian government would not only use conventional forces to threaten the Gulf region, but they would also exploit the Iranian Revolutionary Guard Corps (IRGC). The IRGC is a product of Ayatollah Ruhollah Khomeini<sup>54</sup>, the spiritual and political leader of the revolution, established to protect the Islamic order of the new Iranian government after the Iranian Revolution in

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<sup>51</sup> Talmadge, C., “Closing Time: Assessing the Iranian Threat to the Strait of Hormuz.” *International Security* 33, no. 1 (Summer, 2008): 82–117. William, D O’Neil. and Talmadge Caitlin. “Costs and Difficulties of Blocking the Strait of Hormuz.” *International Security* 33, no. 3 (2009): 190–197.

<sup>52</sup> Eli Lake, “Ayatollah: Iran’s military will ‘punch’ West.” *Washington Times*, February 09, 2010. Accessed in December 12, 2011.

<sup>53</sup> Talmadge, 82–117.

<sup>54</sup> Ayatollah Ruhollah Khomeini became the first supreme leader of Iran and established the theory of velayat-e faqih “the guardianship of the jurisconsult (clerical authority)” in the Twelver Shi’a doctrine.

1979.<sup>55</sup> Iran could use this force to perform asymmetric wars, target maritime assets (such as warships, Very Large Crude/Gas Carrier (VLCC/VLGC) tankers, and ships), and attack offshore oil facilities.

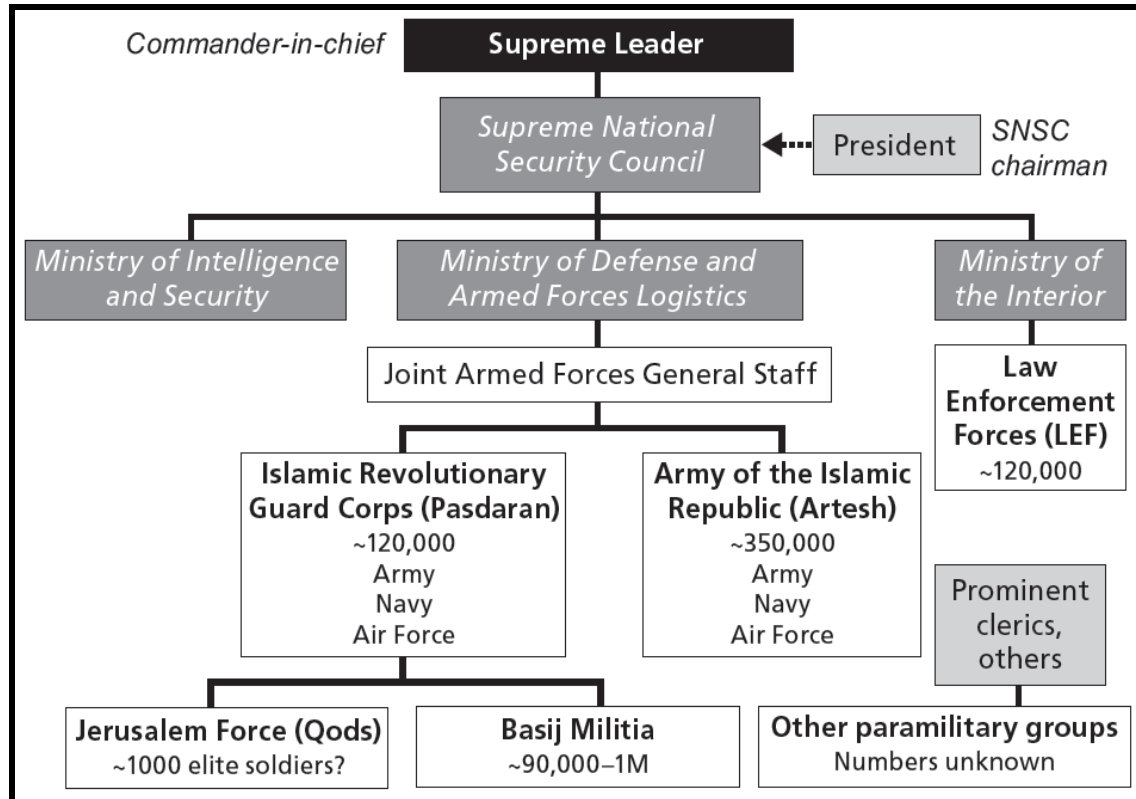


Figure 4. The Structure of Iranian Joint Armed Forces General Staff<sup>56</sup>

If Iran were to succeed in the laying of mines in the strait, intended results would be achieved until commercial traffic could be assured of total clearance of the threat to shipping lanes. Despite the recent advances in technology, mine clearance is a process that is under-resourced and slow. Therefore, in the absence of a nuclear weapons capability, mines are considered the weapon of choice for Iran, and the one most likely to

<sup>55</sup> Anthony Cordesman, *Iran's Revolutionary Guards, the Al Quds Force, and Other Intelligence and Paramilitary Forces* (Washington, DC: Center for Strategic and International Studies Press, 2007), 8. [http://www.csis.org/media/csis/pubs/070816\\_cordesman\\_report.pdf](http://www.csis.org/media/csis/pubs/070816_cordesman_report.pdf)

<sup>56</sup> Frederic Wehrey, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi, and S. R. Bohandy, *The Rise of the Pasdaran: Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps* (Santa Monica: RAND, 2009).

succeed in its effort to disrupt oil delivery through the Strait of Hormuz.<sup>57</sup> The Iranian military may also use torpedoes, missiles, and fast swarm boats to target the GCC's offshore oil facilities, oil tankers, and even U.S. military bases in the Gulf. The threat would be sufficient to scare the global economy even as it is recovering from the current global economic crisis. This implication has resulted in some analysts describing the closure threat as "the real nuclear weapon for Iran."<sup>58</sup> Regardless of the weapon used, closure of the strait would likely result in significant impact to Iran in the form of military response from the U.S., Israel, or possibly its Gulf neighbors.

### C. THE IRANIAN NUCLEAR PROGRAM

According to the International Atomic Energy Agency (IAEA), the Islamic Republic of Iran has been working secretly and outside the Non-Proliferation Treaty (NPT) to achieve full production of nuclear material for weaponization.<sup>59</sup> After the fall of Saddam's regime, Iran regarded the emergence of the United States in the region as a strategic problem—a problem which became one of Iran's main incentives to pursue a nuclear weapons policy.<sup>60</sup> According to the Iranian constitution of 1979, the foreign policy of Iran rejects all forms of foreign hegemony or domination.<sup>61</sup> Iran's biggest foreign hegemony security challenge comes from Russia, Israel, Pakistan, India, and the U.S. military presence in the region.<sup>62</sup> Therefore, Iran's main motivations were national security to ensure self-protection, the necessity for achieving global prestige, asserting

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<sup>57</sup> Sabahat Khan, *Iranian mining of the Strait of Hormuz plausibility and key considerations*. Dubai Media City, Dubai: Institute of Near East and Gulf Military Analysis (INEGMA) Special Report No. 4, 2010, 1–12.

<sup>58</sup> Ibid, 1.

<sup>59</sup> Joseph Cirincione, Jon B. Wolfsthal, and Miriam Rajkumar. *Deadly arsenals: nuclear, biological, and chemical threats*. 2nd ed. Elmsford: Carnegie Endowment For International Peace, 2005, 299.

<sup>60</sup> James A Russel *Proliferation of Weapons of Mass Destruction in the Middle East: Directions and Policy Options in the New Century*, Palgrave, New York, 2006, 54.

<sup>61</sup> Chapter 10, Article 152 of the translated constitution of the Islamic Republic of Iran, at the International Constitutional Law Project at the University of Bern.  
[http://www.servat.unibe.ch/icl/ir00000\\_.html](http://www.servat.unibe.ch/icl/ir00000_.html)

<sup>62</sup> The International Institute for Strategic Studies (IISS) – *IISS Dossier: Iran's Strategic Weapons Programmes – a net assessment*, Routledge Taylor and Francis Group, Abingdon, New York, 2005, 26.

domestic Iranian pride, and securing regional hegemony and dominance.<sup>63</sup> The interest of Iran in a nuclear program is driven by nationalism and an associated internal symbolic perception of its position as a significant power in the region and the world.<sup>64</sup> Unlike other nations, the presence of atomic power in Iran raises many concerns in the international community, due to the imminent and persistent threats issued by the government. In February 2010, Iran had successfully reached the 20% level of uranium enrichment needed to produce a weapon, despite its economic challenges and technological barriers.<sup>65</sup> With the advent of the Arab uprising of 2011, “The Arab Spring,” analysts suggested that Muammar Gadhafi had made a big mistake when he surrendered Libya’s nuclear program in 2004. Iran might think that the international coalition would not have stepped in to support the Libyan opposition forces if Gadhafi had continued advancing toward a nuclear weapon.<sup>66</sup>

Many individuals and groups agree that the presence of nuclear weapons in a politically unstable nation poses a significant risk. Nuclear power in the hands of radicals and an unstable regime would consequently have severe repercussions for its neighbors and the world as a whole. Consequently, Iran’s militant stance has caused many of its neighbors to purchase arms.<sup>67</sup> This is an indication that if Iran becomes nuclear-armed, a nuclear arms race in the Middle East region could ensue. This would additionally disrupt the fragile stability of this vital region, which remains the major energy source, not just

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<sup>63</sup> Mark Fitzpatrick, “Lessons Learned From Iran’s Pursuit of Nuclear Weapons,” *The Nonproliferation Review*, 13:3 (November 2006), 527–537.

<sup>64</sup> Wade L. Huntley, “The Context of Iranian Nuclear Aims,” in *Iran in the World: The Nuclear Crisis in Context*, edited by Wade L. Huntley & Soushiant Zangenehpour (The Simons Centre, April 2008), [http://www.ligi.ubc.ca/sites/liu/files/Publications/Iran\\_in\\_the\\_World.pdf](http://www.ligi.ubc.ca/sites/liu/files/Publications/Iran_in_the_World.pdf)

<sup>65</sup> Michael Slackman, “Iran Boasts of Capacity to Make Bomb Fuel,” *New York Times*, February 11, 2010. Accessed in December 27, 2011.

<sup>66</sup> Heinz Gärtner, “A Nuclear-Weapon-Free Zone in the Middle East,” *Austrian Institute for International Affairs* (April 2011), 2–3. Accessed January 15, 2012. <http://www.nonproliferation.eu/documents/other/heinzgartner4ec66bd720848.pdf>

<sup>67</sup> Scott D. Sagan and Kenneth N. Waltz, *The Spread of Nuclear Weapons: A Debate Renewed* (New York and London: W. W. Norton and Company, 2002), 29–33.

for the United States, but also for the entire world.<sup>68</sup> Similarly, the interruption in accessing energy supplies would jeopardize the sustainability of the world's economies.

The main threat posed by a nuclear-armed Iran is the likelihood that it will bolster the nation's current belligerent foreign policy. As a result, the international community can anticipate frequent confrontation and encouragement for extremists, since Iran is considered a global sponsor for state terrorism via its operational and financial support for radicals, including Hezbollah in Lebanon, al-Houthi in Yemen, Hamas in Palestine,<sup>69</sup> and more recently support for such groups in its neighboring countries Iraq and Afghanistan.<sup>70</sup> Nuclear technology in Iran could potentially be shared with extremists that are hostile to Western nations, especially the United States.<sup>71</sup> A nuclear weapons capability in the Islamic Republic of Iran would be a direct threat to the economies of the developed nations, especially the U.S. in the sense that the unmonitored nuclear weaponry could be transmitted in cargo containers at major ports in the United States.<sup>72</sup>

#### **D. REGIONAL IMPLICATIONS**

Closure of the strait would have very detrimental effects to Iran itself. Iran depends on imported petroleum, and its stagnating economy largely depends upon exports of oil and gas; thus closure of the strait would be a very risky strategy. It could even invite military revenge intervention from United States, Israel or a coalition force.<sup>73</sup>

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<sup>68</sup>Richard Shelby, *Current and Projected National Security Threats to the U.S.: Hearing before the Select Committee on Intelligence*, U.S. Senate. (Collingdale, Pennsylvania: DIANE Publishing, 2000), 4.

<sup>69</sup>Kenneth Katzman, Iran: U.S. Concerns and Policy Responses, Congressional Research Service, December 22, 2010.

<sup>70</sup> U.S. Department of State: Country Report on Terrorism, Chapter 3, State Sponsors of Terrorism Overview, 30 April 2007. <http://www.state.gov/j/ct/rls/crt/2006/82736.htm>

<sup>71</sup>Saira Khan, *Iran and Nuclear Weapons: Protracted Conflict and Proliferation*. (London: Routledge, 2010), 73.

<sup>72</sup> Hays, Peter, Brenda, Vallance, and Alan, Tassel. *American Defense Policy*. 7th ed. (Baltimore: John's Hopkins University Press, 1997), 317.

<sup>73</sup> Shebonti Dadwal, "Oil price crisis: implications for Gulf producers," *Strategic Analysis*, 23:1, 1999, 2. <http://www.tandfonline.com/doi/pdf/10.1080/09700169908455035>

This would certainly lead to loss of assets, military personnel, infrastructure as well as extensive destruction of Iran's nuclear facilities.

Although Iran would likely achieve military success and gain some political advantage for a period of time from a closure of the Strait of Hormuz, there are major disadvantages to Iran in undertaking this action. The biggest drawback would be the unfavorable economic impact to Iran. In 2007, Iran received as revenue of \$80 billion which accounted for 60% of its budget.<sup>74</sup> Since most of the revenue-producing infrastructure in Iran is physically located in the Gulf, closing the strait would cut off its primary income source as well. In addition, lack of adequate refining capacity forces Iran to import refined petroleum products. It therefore follows that closure of the Strait of Hormuz would result in a severe deterioration of Iran's already threatened economy.<sup>75</sup>

It is unlikely that the United States and its western allies would allow Iranian vessels to leave the Arabian Gulf in the event of an act against unimpeded maritime transportation through the strait. The disruption of oil passage through the Strait of Hormuz would demonstrate Iranian power, deny access to important energy nodes in Arabian Gulf for the United States and other global economies, and cause the price of oil to significantly increase. In the course of doing so, Iran could draw global attention to its broader conflict with America and perhaps reinforce its bargaining power. Success in blocking the Strait of Hormuz may result in a tactical symbolic victory for the Iranians.

Regional experts and analysts concur that closure of the Strait of Hormuz could be attempted as a final desperate option for Iran. Preventive strikes designed to effect regime change, or attempts to incapacitate vital national capabilities could provoke Iran to execute this strategy.<sup>76</sup> However, if Iran attempts to block the strait, it must first consider the repercussions it would absorb as a result from opposing forces. Also, some 87 % of Iranian imports, and around 99 % of its exports, are by sea; thus, closure of the

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<sup>74</sup> Heinberg, Richard, et al. *The Middle East Unrest and Its Economic Impact*, 2011, 2.

<sup>75</sup> Ibid, 3.

<sup>76</sup> Anthony H. Cordesman Khalid R. Al-Rodhan, *Iranian Nuclear Weapons? The Options if Diplomacy Fails*, CSIS Arleigh A. Burke Chair in Strategy April 7, 2006. 22–39.

strait will possibly impact Iran more harshly than any other country.<sup>77</sup> Nevertheless, the issue of Iranian threats to block the Strait of Hormuz has to be taken seriously, as it will likely remain a crucial dimension of its strategy for a long time.

It is likely that the world's response to an attempted Iranian blockade would be rapid and severe, probably starting with U.N. sanctions, as well as other political pressures from regional nations. The policy of imposing sanctions would probably delay Iran's progress to acquire a nuclear weapons capability, and would keep Iran isolated from the international community. Sanctions would certainly damage the Iranian economy, especially since its government-subsidized petroleum price would have to substantially increase in order to compensate for lack of the imported product. With a restriction in the amount of government-subsidized petroleum that Iranian motorists can purchase monthly, there is a probability that large-scale and prolonged economic hardship would ultimately weaken the regime by further catalyzing anti-government protests.

Greatly reduced revenue—in an economy dependent upon exports of oil and gas, and cutoff by sanctions—would restrict the ability of Iran to finance its proxies that operate in the region. Hezbollah, Hamas, and al-Houthi would likely be impacted.<sup>78</sup> If the U.S. and its allies agree to impose further unilateral embargos and sanctions on Iran's energy sector and its central bank, then it is possible that the Iranian regime would have nothing to lose and react aggressively. Indications are evident that this may be their current strategy. In their most recent naval exercise, "Velayat 90," Iran simulated tactics to close the strategic oil route and threaten shipping in the Arabian Sea and the Arabian Gulf as the United States began to withdraw its forces from Iraq and Afghanistan.<sup>79</sup> Moreover, the Iranian OPEC representative, Mohammad Ali Khatibi,

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<sup>77</sup> Ratner, Michael & Nerurkar, Neelesh. Middle East and North Africa Unrest: Implication for Oil and Natural Gas Markets, *CRS Report for Congress*, 2011, 4.

<sup>78</sup> Center for Security Issues. Energy Security: Oil Shortages and Their Implications, *CSS Analyses in Security Policy*, Vol.1(2), 2006, 1.

<sup>79</sup> Associated Press, Iran begins 10-day naval navy drill in international waters near strategic oil route. The Washington post, December 24, 2011, accessed December 25, 2011.  
[http://www.washingtonpost.com/world/middle-east/irans-navy-kicks-off-10-day-exercise-in-international-waters-near-strategic-oil-route/2011/12/24/gIQACA2IFP\\_story.html](http://www.washingtonpost.com/world/middle-east/irans-navy-kicks-off-10-day-exercise-in-international-waters-near-strategic-oil-route/2011/12/24/gIQACA2IFP_story.html)

would hold the Gulf neighbors responsible for attempting to compensate for any shortfall in oil if the West imposes further sanctions against Iran's oil export.<sup>80</sup>In response, the Saudi Oil Minister Ali al-Naimi assured that Saudi Arabia—producing over 10 mbpd and with the capacity to produce 12.5 mbpd—would compensate the shortfall of oil.<sup>81</sup>

China obtains half of its oil supplies from the Arabian Gulf. It is unlikely that they would be unresponsive to attempts to block the Strait of Hormuz. It is possible that China might join a coalition reaction, or apply its own diplomatic pressure. Iran would possibly be able to benefit from this threat only once. It is probable that reaction to a closure of the strait would result in military response, and a subsequent loss of all means to repeat the effort. Worse still for Iran, it is likely that the U.S. would quickly restore maritime shipping through the strait without escalating the crisis, and reduce the economic impact through the use of diplomacy. Ultimately, it is evident that Iranian attempts to block transportation through the strait would have minimal impact and result in loss of critical assets they can ill-afford to lose.

Over the long run, attempts to block the Strait of Hormuz would result to a considerable loss of national security to Iran. Therefore, if Iran is to expend scarce assets in a vain attempt to blockade of the Strait of Hormuz, it would leave itself very open to an escalation of sanctions or a consequent retaliatory attack. These issues should serve as persuasive considerations to dissuade Iran from attempting to close the Strait of Hormuz.<sup>82</sup>

The economic prosperity of GCC countries will depend on energy exports for at least another decade. The seriousness of the consequences of closing the Strait of Hormuz varies from one GCC member to another. Disruption of oil passage through the strait would have considerable financial consequences for the Arab Gulf states—especially Kuwait and Qatar, whose borders are located entirely within the Arabian Gulf enclave,

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<sup>80</sup> Al Arabiya, Iran warns Gulf states not to compensate for oil shortfalls after Western sanctions, January 15, 2012. <http://english.alarabiya.net/articles/2012/01/15/188401.html>

<sup>81</sup> CNN, Oil minister: Saudi Arabia can make up for Iranian crude, January 16, 2012. [http://www.cnn.com/2012/01/16/world/meast/saudi-oil-production/index.html?section=money\\_topstories&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+rss%2Fmoney\\_topstories+%28Top+Stories%29](http://www.cnn.com/2012/01/16/world/meast/saudi-oil-production/index.html?section=money_topstories&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+rss%2Fmoney_topstories+%28Top+Stories%29)

<sup>82</sup> Ibid, 11.



and presently do not have the energy pipeline infrastructure that can provide alternative oil delivery capability. In 2008, Kuwait, Qatar, and the UAE were the largest exporters of oil globally. Blockade of the energy supplies from these three GCC members would have significant impacts on the financial markets and the economic activities worldwide. According to Reyadh Alasfoor:

the oil revenues allow the GCC states to: 1) Support large government bureaucracies that provide employment to citizens and monitor their political behavior. 2) Provide subsidies or free public services to citizens with no taxes. 3) Build capital-intensive militaries that link their security to the interests of important world powers. 4) Provide for the ruler's most important constituency, their own families. Without oil revenues, this ruling bargain would collapse. One GCC official said: "The goal of improving the standard of living of our people is one of the GCC's most important objectives." And perhaps the most important test of regime competency in the new century will be their ability to continue to meet public expectations. In the GCC states, oil revenues subsidize most of the social and infrastructural services for which the citizens of other countries pay with own incomes (income taxation in the GCC states does not exist).<sup>83</sup>

Being an important oil producer, as well as the largest global exporter of liquid nitrogen gas, Qatar would be extremely affected by closure of the Strait of Hormuz. Though successfully expanding into areas like tourism, education, and financial services, the economy of Qatar is still based on hydrocarbons export, which supports the highest per capital GDP worldwide.<sup>84</sup> For Qatar to maintain that high living standard, its liquefied natural gas (LNG) and oil have to first pass through the Strait of Hormuz.<sup>85</sup> Qatar exports about two Billion cubic feet per day (Bcf/d) of natural gas to the UAE and

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<sup>83</sup> Reyadh Alasfoor, "The Gulf Cooperation Council: its nature and achievements: a political analysis of regional integration of the GCC states 1979–2004. Lund: Department of Political Science, Lund University, 2007, 207. <http://www.svet.lu.se/Fulltext/Alasfoor.pdf>

<sup>84</sup> Central Intelligence Agency CIA. *The World Factbook: Field Listing; GDP per capita (PPP)*, 2011. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html>

<sup>85</sup> Jim Saxton., *The Strait of Hormuz and the Threat of an Oil Shock, A Joint Committee Study*, 2007, 5.

Oman through long offshore and onshore pipelines under the Dolphin project. The closure of the strait would therefore deprive Qatar of more than 70% of its export income.<sup>86</sup>

In the event of a successful blockage of the strait, similar impacts await other oil-based economies of the Gulf region, including Kuwait, the United Arab Emirates (UAE), Iraq, and Bahrain. If the pipeline of Habshan-Fujairah were to be completed before a closure of the Strait of Hormuz, it would offer the UAE an economic lifeline that would bypass Hormuz and deliver 1.5 mbpd to the Gulf of Oman.<sup>87</sup> Loss of oil revenue for Iraq would be a devastating blow to a regime that is still working on stabilizing the nation and establishing its authority.<sup>88</sup> For the other hydrocarbon producers (non-Arabian Gulf), the increased prices that would result from closure of the strait would cause a considerable windfall that would aid in offsetting the world's economy decline in those nations.

The least affected Gulf nation would be Oman, due to its geographic location outside the strait. Saudi Arabia is capable of temporarily bypassing the strait using land routes for oil transportation to its eastern ports; thus, it has the ability to control the higher prices of oil quite easily.<sup>89</sup> UAE and Qatar, the Gulf's main exporters of gas, deliver their exports through the strait in the form of liquefied natural gas. Presently, no pipelines are in existence in the Arabian Gulf that could be used as alternative transportation mechanisms to export the gas outside the GCC. Nations like Qatar and UAE could benefit from an acceleration of plans to develop an alternative overseas gas and oil delivery capability.

Imports would also be affected significantly as result of a blockage of the strait, increasing raw commodities and prices of consumer goods as well as increasing the financial costs to GCC domestic economies. The greatest challenge for the leadership of

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<sup>86</sup> U.S. Energy Information Administration EIA, "*Qatar Energy Data, Statistics and Analysis - Oil, Gas, Electricity, Coal*," U.S. Energy Information Administration.  
<http://www.eia.gov/emeu/cabs/Qatar/pdf.pdf>

<sup>87</sup> Abu Dhabi National Oil Company (ADNOC), "*Habshan - Fujairah Pipeline; the Genius Vision and the Unique Location*," ADNOC News August 2011: 18–21. Accessed October 28, 2011.  
<http://www.adnoc.ae/publications%5CADNOCNews%5CADNOC-News-August-Issue-2011-English.pdf>

<sup>88</sup> Ibid, 8.

<sup>89</sup> John Deutch, *Oil and Gas Energy Security Issues, Resources for the Future*, 2010, 7.

the GCC will be at the political level: how will the leaders deal with militaristic confrontations with Iran while opposing its actions firmly? Gathering domestic opinion and consolidating that opinion collectively through the GCC as a recognized diplomatic voice on the international level can help influence and resolve regional differences, and help avoid placing the regional nations in a treacherous position during a phase of volatility.<sup>90</sup>

While Iranian attempts to close the Strait of Hormuz seem implausible, and its ability to effectively implement it for any time period appears even less likely, the Iranian government appears to remain convinced that the suffering it could impose on its adversaries is a viable tool for use in maintaining internal stability and control. Until Iran obtains viable nuclear weapons capability, it appears that its best method of disruption of energy commodity transportation through the Strait of Hormuz would be through the laying of sea mines.<sup>91</sup> A successful full-scale blockade designed to cause serious global economic consequences would be quite difficult to achieve.<sup>92</sup> Despite the benefits that Iran might achieve, the consequences of closing the Strait of Hormuz would backfire on Iran, hence making its action futile.<sup>93</sup>

## **E. GLOBAL IMPLICATIONS**

The Strait of Hormuz is described as the world's most crucial chokepoint. As the only sea entry and exit point for the Arabian Gulf, the Strait of Hormuz is a very crucial node to the world's energy trade.<sup>94</sup> Approximately 15 mbpd of crude oil was delivered daily through the strait, forming around 20% of the global daily oil consumption. With around 40% of the crude oil that is traded daily being shipped through the strait, any closure of the Strait of Hormuz by Iran is top on the list of energy security threats

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<sup>90</sup> Deutch, 10.

<sup>91</sup> Lutz Kilian, *The Economic Effects of Energy Price Shocks*, University of Michigan and CEPR, 2007, 15.

<sup>92</sup> Nordhaus, William. The Economics of an Integrated World Oil Market, *International Energy Workshop*, 2009, 8.

<sup>93</sup> Ibid, 17.

<sup>94</sup> Ibid, 14.

globally. Approximately 90 % of all Arabian Gulf oil departs the region on tankers which have to pass through this strait situated opposite the coast of Iran.<sup>95</sup> Land pipelines do not currently offer adequate alternative routes of export.

The oil flowing through the strait accounts for around 40% of the crude oil that is traded worldwide daily. The Strait of Hormuz is vital to the regional producers, to Western energy consumers like the United States, Japan, Europe, and Australia, and to the entire world's economy.<sup>96</sup> With the strait closed for a long time period, the effect it would have on the global economy would be quite significant. Any disruptions of the oil supply from the Arabian Gulf by sea would threaten markets, increasing prices to very high levels. This would greatly shake the world's economy. The effect would be even more acute in economies that are slowly recovering from the recent worldwide recession.

Closure of the strait would remove almost a quarter of the world's oil from the market. According to the International Energy Agency (IEA), the global demand for oil is projected to increase from 87 mbpd in 2010 to 99 mbpd by 2035.<sup>97</sup> The U.S. imports around 22% of its oil from the Gulf. This comprises approximately 12% of America's oil demand. Europe imports around 30% of its oil from the Gulf. The Asian market, which includes Japan, South Korea, India, and China, represent the chief destinations.<sup>98</sup> Asia's oil imports from the Gulf accounts for around 75 % of its imports, and thus it would be greatly affected by closure of the strait. The region also supplies Australia with almost 14% of its oil import needs.<sup>99</sup> Recent statistics have suggested that roughly one-third of China's oil imports are delivered through the Strait of Hormuz. Closure of the strait would therefore cause great damage to China's expanding economy.

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<sup>95</sup> Kilian, 32.

<sup>96</sup> Transportation Economics & Management Systems, Inc. *Impact of High Oil Prices on Freight Transportation: Modal Shift Potential in Five Corridors*, 2008, 12.

<sup>97</sup> *World Energy Outlook 2011*, Paris: International Energy Agency, 2011, 3.

<sup>98</sup> Ibid, 13.

<sup>99</sup> Tasman, 4 – 5.

Country	Total Reserve in Billion barrels as of 2010	Thousand barrels per day in 2010		Percentage of top 17 oil net exporters
		Total Production	Total Export	
*Saudi Arabia	262	10521	6526	19.3
Russia	60	10124	5607	16.6
Nigeria	37.2	2458	2256	6.7
*UAE	97.8	2812	2108	6.3
*Iran	137.6	4251	2087	6.2
*Iraq	115	2408	1873	5.6
Angola	9.5	1987	1766	5.2
Norway	6.6	2133	1590	4.7
Venezuela	99.3	2374	1532	4.5
Mexico	10.4	2982	1446	4.3
*Kuwait	104	2450	1429	4.2
Libya	44.2	1789	1293	3.8
Kazakhstan	30	1610	1232	3.6
Azerbaijan	7	1040	777	2.3
Algeria	12.2	2077	764	2.3
*Qatar	25.4	1437	751	2.2
*Oman	5.5	867	744	2.2
Total	1063.7	53320	33781	100

Table 1. Top world oil net exporters in 2010.<sup>100</sup> (\*Regional states in the Arabian Gulf)

The United States is the world's largest energy consumer. It is currently experiencing 10.8% unemployment, as well as record government deficits of around U.S. \$1.5 trillion. Its long recovery process makes it particularly vulnerable to oil prices and supplies.<sup>101</sup> The U.S. dollar has become the world's dominant reserve currency for trade

<sup>100</sup> Energy Information Administration, Country Energy Profiles.  
<http://tonto.eia.doe.gov/country/index.cfm>

<sup>101</sup> Ibid, 14.

and oil pricing. “U.S. petrodollar warfare” is regarded as one of the most critical driving forces of United States foreign policy.<sup>102</sup> Therefore, most countries are compelled to maintain huge stockpiles of dollars in order to continue imports. This is the most significant reason why it would never tolerate closure of the Strait of Hormuz. U.S. military forces would undoubtedly respond, after coordinating with regional powers, in response to an Iranian-imposed disruption. Consequently, the presence of the U.S. military in the Arabian Gulf has been vital in preventing any destabilization of the region.<sup>103</sup>

Australia is one of the chief importers of energy. Around one-sixth of Australia’s total imports of crude oil was from the Middle East in 2007 to 2008, of which most was shipped through the Strait of Hormuz from the UAE.<sup>104</sup> Although Australia would probably be less affected by closure of the Strait of Hormuz in a direct sense compared to other countries, nonetheless it would suffer economic impacts. The main consequence of the closure would be a significant reduction in the quantity of oil available for importation from the Arabian Gulf into Australia. The likely global economic contraction and the corresponding elevation of oil prices would have a similar negative impact in the Australian economy, as well as its trading partners. Australia may join any multinational force in an attempt to reopen the strait.

History provides examples of past oil market reactions and shipping industry behavior in situations where passage through the Strait of Hormuz was threatened by Iran. During the war between Iraq and Iran from 1980 to 1988, shipping through the Strait of Hormuz from the Arabian Gulf was attacked by each side.<sup>105</sup> The shipping industry’s behavior during that time period can be considered an indicator of the anticipated response to an Iranian blockade. War, political embargoes, revolution, and

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<sup>102</sup> Bessma Momani. “Gulf Cooperation Council Oil Exporters and the Future of the Dollar.” *New Political Economy*, Vol. 13, No. 3, September 2008, 293.

<sup>103</sup> Donohue, Thomas & Jones James. *Energy Security in the 21st Century: Facts, Choices and Challenges*, *Institute for the 21st Century: U.S. Chamber of Commerce*, 2009, 3.

<sup>104</sup> *Ibid*, 5.

<sup>105</sup> *Ibid*, 12.

natural disasters all provide examples of the anticipated reaction of oil markets as a result of disruption of the supply.

There is evidence from recent history and market data that links disruptions in transportation with a reduction in oil exports due to a variety of causes. Sharp increases in oil prices followed, regardless of the cause of the disruption. In several examples from the 1970s and 1980s, excess capacity from other nations was normally available to reduce some of the disruptive effects. The growth of global oil demand in the last few decades has eliminated a great deal of the surplus capacity from the worldwide system. Much of the surplus capacity which remains is presently controlled by the Arabian Gulf nations, which are reliant upon the Strait of Hormuz to deliver it.<sup>106</sup>

In order to counteract the impacts of oil supply interruptions, the United States and several other nations have built strategic petroleum reserves that are designed to supplement imported oil for a period of months. The International Energy Agency noted that the net importing members, the Organization for Economic Co-operation and Development (OECD), typically need to have adequate reserves of crude oil, as well as the refined products, to manage a supply disruption for approximately 90 days.<sup>107</sup>

In 2007, a study of the economic implications of closing the strait concluded that use of strategic petroleum reserves would alleviate the market effects of oil supply disruption.<sup>108</sup> The study also showed that much of the adverse economic impacts from an energy crisis could be blamed on inadequate government policies. Examination of past fluctuations of oil prices suggests that markets are resilient, regularly accommodating significant alterations in oil prices. Considering all this, a disruption of oil supply through the Strait of Hormuz could cause significant market fluctuations in the short term, though the problem would be controllable and economies would compensate over the long run.

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<sup>106</sup> Ibid, 13.

<sup>107</sup> International Energy Agency, *IEA Response System for Oil Supply Emergencies*, (Paris: IEA Publication Service, 2011), 3. [http://www.iea.org/textbase/nppdf/free/rs/response\\_system.pdf](http://www.iea.org/textbase/nppdf/free/rs/response_system.pdf)

<sup>108</sup> Gholz et al. "Strait of Hormuz: Assessing Threats to Energy Security in the Persian Gulf," project findings.

## F. CONCLUSION

The Strait of Hormuz is viewed widely as one of the most significant maritime transportation chokepoints that exist today. It is certainly the most essential with regard to the global energy system. A fifth of the oil consumed by the world flows through the strait daily. Iran has frequently threatened to disrupt oil flow through the Strait of Hormuz, especially in reaction to perceived attacks and internal issues. An actual attempt to block transportation through the strait would potentially result in significant consequences for short-term oil prices as well as the global supply chain. However, according to analysts, Iran's capability to close the strait should not be regarded as a foregone conclusion, particularly when considering the extensive presence of the U.S. military in the region. In addition to the global concern over Iran's nuclear program, an attempted closure of the strait would result in severe consequences for the Iranian economy.

Iranian attempts to successfully close the Strait of Hormuz seem improbable. Its ability to actually achieve it for any sustained time period appears even less likely. The Iranian government believes it could impose great suffering on its adversaries if it chooses to do so. Currently, its most likely method of disruption would be through the use of all available naval and air assets, especially submarines and helicopters, to lay mines in the waterway.<sup>109</sup> A full-scale blockade—which if successful would evoke serious global economic consequences—would be, at best, quite difficult to achieve. Iran might achieve some degree of success in an attempt to close the Strait of Hormuz, but the consequences would have a detrimental effect on Iran itself, hence making its action futile.

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<sup>109</sup> Anthony H. Cordesman, *Iran's Developing Military Capabilities* (London: Sampson Low, Marsten, May 2005), 62–63.



## **IV. THE RELATIONSHIP BETWEEN IRAN AND THE GCC STATES SINCE THE IRANIAN REVOLUTION**

### **A. INTRODUCTION**

In an attempt to illustrate the role of the GCC in the region, this chapter includes analysis of the historic relationship and the contemporary internal conditions that exist between Iran and the GCC. It will also analyze the importance of the relationship between the GCC and other regional stakeholders, such as the presence of U.S. military forces in the region. The chapter will also discuss the ambitions of the Iranian government, particularly Iran's attempt for regional hegemony in the Arabian Gulf region by examining its effort to build nuclear and military capabilities.

The security and stability of the Arabian Gulf region is of particular importance to the international community, especially as this relates to assurance that a reliable supply of oil and gas can be shipped from the region to the international market.<sup>110</sup> Since Iran has been labeled the main security threat to the GCC states, especially due to its intention to become the regional hegemony supported by the notion of exporting its Islamic revolution,<sup>111</sup> <sup>112</sup> exploring the dynamics of Iran's relations with the GCC states should be the first step towards establishing an effective security framework for the Persian Gulf. The period following the Iranian Islamic revolution has been characterized by major conflicts and transformations that have influenced the relationship between Iran and the GCC states. The GCC states sought to distance themselves from Iran during the Iran-Iraq war.<sup>113</sup> The southern Gulf States' support for the U.S. presence in the Gulf during Iraq's

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<sup>110</sup> Alani, "Toward a comprehensive maritime security arrangement in the gulf," 31.

<sup>111</sup> Stephanie Cronin & Nur Masalha, "The Islamic republic of Iran and the GCC states: revolution to realpolitik," Kuwait Programme on development, governance and globalization in the gulf states. August 2011, No. 17, 5.

<sup>112</sup> Kayhan Barzegar, "Balance of Power in the Persian Gulf: an Iranian view, 1/12. Accessed January 03, 2012. <http://belfercenter.ksg.harvard.edu/files/Barzegar-Balance-of-Power-in-the-Persian-Gulf.pdf>

<sup>113</sup> Joseph Kostiner, *Conflict and cooperation in the Gulf region*,

invasion of Kuwait—and the subsequent reliance on the U.S. to guarantee security to the GCC states—had significant implications for Iran’s policy towards the GCC states.<sup>114</sup>

In addition, the disruption of the balance of power between Iran and Iraq by the U.S.-led invasion of Iraq created an opportunity for Iran to adopt policies that would assert its hegemony across the Arabian Gulf. The failure of the United States to reconstruct a new balance of power meant that the U.S. would have to be actively involved in restricting Iran’s influence on the GCC states. This has significantly affected Iran-GCC relations, especially due to the reluctance of the GCC states to abandon their close ties with the United States. In this paper, I discuss these and other issues affecting the relationship between Iran and the GCC states since the Iranian revolution. First, I discuss the evolution of Iran’s policy towards the GCC states followed by an exploration of the circumstances surrounding the establishment of the GCC and the evolution of Iran-GCC relations since the 1979 Iranian revolution. This will be followed by a discussion on how U.S. involvement with issues in the Gulf has impacted Iran-GCC relations; and finally, on the buildup of military capabilities between the GCC and Iran.

## **B. IRANIAN STRATEGY IN THE GULF**

In its continuous attempts to obtain regional hegemony, Iran seeks to establish and build military and nuclear capabilities based on oil revenue. Iran’s ambition to spread its Islamic revolution to all Gulf States is the main factor that has influenced its foreign policy towards the GCC states.<sup>115</sup> Indeed, the GCC emerged as a mechanism for opposing Iranian influence on the Arabian Gulf states. Iran’s government is widely viewed in terms of their perceived ambition in the Gulf region. It took part in both the support of proxies in the region and the acquisition of nuclear energy for domestic purposes and enhanced military capabilities. Besides their attempt to spread the Islamic Shi’a doctrine in the region, Iran has sought—and is still seeking—to become the

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<sup>114</sup> Jon Alterman, “The gulf states and the American umbrella.” *Middle East Review of International Affairs* 4 no.4 (2000), 1–11.

<sup>115</sup> Lucinda Ruth de Boer, “Analysing Iran’s Foreign Policy: The Prospects and Challenges of Sino-Iranian Relations,” July 2009, 76. Accessed December 13, 2011.  
[http://www.iias.nl/epa/files/Lucinda\\_de\\_Boer.pdf](http://www.iias.nl/epa/files/Lucinda_de_Boer.pdf)

dominant Arabian Gulf regional military power. In simple terms, Iran's government has a hegemonic interest of acquiring power to assert economic, military, religious (ideological), and political dominance in the region. The ambition behind the motive is to ensure that they protect the regime, defend the integrity of their territory, influence the regional process including those in the GCC States, and spread their version of Islamic revolution.<sup>116</sup>

Iran's government has exhibited interest in regional control, and frequently appears in the international limelight backed by its relatively large geographical territory and domestic population. Iran also believes that its military enjoys the support of the greater Islamic world. In these ways, Iran has campaigned to increase its ties and influence with both the regional and international communities.

The end of the Iran-Iraq war was viewed as a global development that would enhance collective security in the region. The collapse of the USSR, the fall of Saddam's regime in Iraq, and the U.S. war on terrorism have been viewed as areas that Iran has been exploiting in order to elevate its own stature in the global sphere. It is therefore important for the GCC to consider: what exactly is the ambition of the Iranian government in both the local and international sphere? Iran has apparently strived to get its regime recognition within the world community. The country has opposed several attempts by the U.S., the European Union (EU), and the Soviet Union to reinstate peace in the region, instead terming it as undermining the stability of the Islamic regime. Its political ambition has been to seek public acknowledgment of the regime's immunity to the political, economic, and military power of the U.S..<sup>117</sup>

The other area that Iranian government emphasizes, in terms of its ambition, has been ensuring that it protects the integrity of its sovereign territory. In order to realize this goal, the Iranian government has reinforced its military forces to contain perceived foreign threats as well as protect its territorial integrity. Iran developed relations with countries such as: Russia, China, and North Korea to acquire weapons and military equipments for

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<sup>116</sup>Judith S. Yaphe, *Challenges to Persian Gulf Security: How Should the United States Respond?* (Strategic Forum, Number 237, November 2008). Ft. Belvoir: Defense Technical Information Center, 2008.

<sup>117</sup>D. G. Cacuci, *Sensitivity and uncertainty analysis*. Volume I: Theory, Boca Raton, Fl. London: Chapman & Hall/CRC, 2003.

improving its conventional forces capabilities.<sup>118</sup> The intention of the Iranian regime is to increase its regional influence, expand its power projection capabilities to restrain U.S. military options, and exhibit intimidation abilities to its neighbors.<sup>119</sup>

The war that the Iranian government entered into with Iraq (1980–88) served as a reality check of its military vulnerabilities. Iran demonstrated irregular and asymmetric warfare capabilities such as threatening the oil tankers “*Tanker War*,” supporting proxies and Shi’a community in many Gulf countries, and exercising blocks and threats against the Arabian Gulf. The Weapons of Mass Destruction (WMD) and various missile systems that were used against them in the conflict showcased how their military base was insufficient to protect their territorial integrity. Iran’s ambition is, therefore, to ensure that its regime is not toppled by the U.S. government’s military like the regimes in Afghanistan and Iraq.

Iran enjoys massive resources that are essential to sustain its domestic economy. The natural resources mainly come from oil and gas. However, utilization of these resources depends on the relations that exist between Iran and other countries such as Russia, China, and the states of Central Asia. Iran’s government is committed to controlling the production and transportation of its energy resources. However, they maintain that they will obtain the necessary funding and technology for exploitation and preservation of their resources from sources in foreign communities. The fact is that the oil and gas revenue inspired the Iranian government to expand its political influence in the region. This push is evident in the Middle East and central Asia. In order to achieve this objective, the Iranian government has sought to develop political tools that can be used to extend its political influence on the region's unstable countries such as Iraq, Afghanistan, and Lebanon. The Iranian government has also participated in conducting global foreign policy that is designed to amass networks or alliances in an effort to position itself for a key leadership role that would be recognized in the international community. This movement is considered internally as an expansion of the Islamic revolution which it

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<sup>118</sup> Anthony Cordesman and Alexander Wilner. *Iran and the Gulf military balance-I: The Conventional and Asymmetric Dimensions*, 13–17

<sup>119</sup> Ibid, 12.

believes will protect the Muslim world against the existing international systems. For example, the Iranian government has staged its struggle against Israel as one of their key operational components to foster support for expanding their political influence in the region against an unjust international system.<sup>120</sup>

Iran has also been ambitious about developing a resistance network. The resistance network “Hezbollah” has been built to oppose the existence of Israel. This resistance network has been supported by the Iranian government both financially and politically. States and organizations within Iran’s network have also been indoctrinated to work against the interests of American and cooperating Western forces. The network is encouraged to undermine traditionally moderate regimes that existed in countries such as Lebanon. The intent of the resistance network has been to serve the interests of the Iranian government, and spread the Islamic regime throughout the global region. By taking steps to build its regional and global political alliances, Iran has stretched its Islamic network across Iraq, Bahrain, Lebanon, and Yemen, through the Shi’a communities in these states.

A major ambition of the Iranian government has been to develop its nuclear capabilities. Iran believes that its national security policy should include the establishment of not only its national security, but also the configuration a broader security concept in the region. It has embarked on production of nuclear and military capabilities to enable the regime to put in effect its version of general security issues, and influence economic security in both the regional and international sphere. Efforts to build nuclear plants required the Iranian government to establish external alliances and agreements. This is especially evident in their growth of diplomatic ties with Russia, China, and North Korea, which has enabled the regime to counter the sanctions imposed by the UN and U.S. government. Reflection on the significance of the issues presented in this section suggests that the government of Iran is increasingly ambitious, and without containment by regional and international stakeholders, some of these ambitions may result in implications that will be difficult to control in the future.

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<sup>120</sup> Erik R. Peterson, *The Gulf Cooperation Council, Search for Unity in a Dynamic Region*, (Boulder, Colorado: Westview Press: 1988).

The relationship between Iran and the GCC States was unstable for many decades. In 1971, Iran occupied UAE three islands—Abu Musa, Greater Tunb, and Lesser Tunb—and since then have refused to resolve the case in the International Court of Justice (ICJ).<sup>121</sup> The strategic locations of the three islands—right in front of the strait and near the shipping lanes—could be used not only to target maritime traffic and assets in the Arabian Gulf, but also as an additional line of defense for Iran as an advance maritime base with full facilities, operating defensive measures, and radars on the islands.<sup>122</sup> Iran targeted the oil industry of Kuwait during the Iran-Iraq War.<sup>123</sup> Iran disputed the ownership of Qatar's North gas field with Qatar.<sup>124</sup> The tension between Iran and Saudi Arabia—the two regional rivals and the two biggest producers of oil in OPEC—has continued along strategic, political, and ideological lines.<sup>125</sup> Iran has continuously challenged the Saudi government regarding Islam, and has further encouraged demonstrations and disturbances in the holy place of Mecca<sup>126</sup> by politicizing Iranian pilgrims during Pilgrimage (Hajj).<sup>127</sup> In order to expand the revolution, the Iranian regime has been attempting to support Shi'a communities in the GCC States. Using the political and economic relative deprivation method, Iran encouraged those communities to rebel against the GCC's Sunni governments.<sup>128</sup> The GCC states viewed the Iranian attempt as a step to undermine the growing security cooperation that exists in the Gulf region. The counter effects of this attempt resulted in

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<sup>121</sup> Alani, 39.

<sup>122</sup> James M. Esquivel, *Iran and the Strait of Hormuz: varying levels of interdiction*. Monterey, Calif.: Naval Postgraduate School ;, 1997. 20–21.

<sup>123</sup> Kostiner, *Conflict and cooperation in the Gulf region*, 197.

<sup>124</sup> Ibid, 197.

<sup>125</sup> Ibid, 198.

<sup>126</sup> The holiest city for all Muslims to perform, at least once in their life time, the obligatory pillar of Islam which is called the Pilgrimage (Al-Hajj in Arabic); as well it is regarded as the direction that all Muslims should face during the prayers (Al- Salah: Important obligatory pillar which Muslims performed five times a day).

<sup>127</sup> Ibid, 198.

<sup>128</sup> Joseph A.Kechichian and Gustave E. von Grunebaum, *Iran, Iraq, and the Arab Gulf States*. (Houndmills, Basingstoke, Hampshire; New York: Palgrave, 2001), 283.

GCC states tightening security in the region through bilateral agreements with U.S and its allies. The GCC states have a collective view that security in the region must remain vigilant to the political ambitions of an omnipotent Iranian hegemony.

The leader of Islamic revolution, Khomeini, had desired that all Gulf States adopt Iran's system of government and cut their diplomatic ties with any external powers.<sup>129</sup> Khomeini's goal was to make Iran the main security provider in the Gulf region by reducing Western influence on the Gulf States. During the initial stage of the Iranian revolution, the relations between the GCC states and Iran suffered significantly. For instance, the Gulf States demonstrated their disfavor with Iran by providing financial and logistical support to Iraq during its war with Iran.<sup>130</sup> In addition, the GCC states alleged that Iran was continuously supporting a plot to overthrow Bahrain's government, as well as supporting the Shiite community in carrying out various anti-government activities in Kuwait. Further, Iranian pilgrims threatened to wreck havoc on the 1987 pilgrimage to Mecca. These incidents, coupled with Iran's dispute with United Arab Emirates over the islands between the two states, made Iran-GCC relations more difficult.

The leadership of Iran has a high tolerance for risks, and for this reason, it has been described as being messianic.<sup>131</sup> Iran is displeased with the status quo in the entire Middle East region and is ready to use any means available to achieve its goals. First, Iran considers itself the leader of the Islamic world.<sup>132</sup> Indeed, since the 1979 Iranian revolution, Iran has been campaigning for the spread of Islamic justice throughout the Gulf region and the entire Islamic world.<sup>133</sup> Iran regards itself as the catalyst of Islamic revival and the vision bearer for all Muslims in the Middle East. Second, as such, it

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<sup>129</sup> Nader Habibi, "The Impact of Sanctions on Iran-GCC Economic Relations," *Middle East Brief*, Brandeis University, No. 45, November 2010, 2.

<sup>130</sup> De Boer, 76.

<sup>131</sup> Cohen et al. 5 and Alasfoor, *The Gulf Cooperation Council: Its Nature and Achievements*. 2007, 204.

<sup>132</sup> Ariel Cohen et al., "Coordinated terrorist attacks on global energy infrastructure," Heritage Foundation, March 17, 2011, 4.

<sup>133</sup> Karim Sadjadpour, "Reading Khamenei: the world view of Iran's most powerful leader," Carnegie Endowment for International Peace, 2009, 21. Accessed February 21, 2012. [http://www.carnegieendowment.org/files/sadjadpour\\_iran\\_final2.pdf](http://www.carnegieendowment.org/files/sadjadpour_iran_final2.pdf)

assumes that most Arabic and Muslim states in the region would support its ideology and vision. Iran is determined to spread its hegemony throughout the Arabian Gulf region. In order to assert regional influence, Iran has attempted to spread the view that its interests echo the interests of the entire Muslim world. For instance, in response to Arab and Muslim skepticism about Iran's nuclear plans, Khomeini emphasized that the success of Iran's nuclear power project would bring honor to the entire Muslim world. Khomeini's intention was not only to justify the nuclear program but also to warn the Arab states against supporting the United States in case it plans to invade Iran.<sup>134</sup> With regard to Palestinian issue, the Iranian president Ahmadinejad gave a statement about wiping Israel off the map which was intended to gain wide support from many Muslim nations. Third, Iran intends to remove the influence of the United States from the Arabian Gulf in order to pave the way for the achievement of its ambition of becoming the regional power. In addition, Iran considers Israel as a security threat to the Muslim world because of its support for the United States. Therefore, eliminating Israel is part of Iran's long-term security goals.<sup>135</sup> Finally, Iran intends to enhance its regional influence by enhancing its control of the energy market.<sup>136</sup>

Iran has attempted to establish close economic relations with the GCC states. Prior to Khatami's election to the presidency, Iran relied on GCC states such as Saudi Arabia and the United Arab Emirates for banking services and trade. Iran has particularly been quite active in Dubai with intentions of using the opportunity to gain access to various goods including oil service equipment.<sup>137</sup> This demonstrates Iran's departure from foreign policies based on purely religious interests in favor of more pragmatic strategies based on economic interests. The UAE is regarded among the largest trade partners of Iran. Both states maintain close economic ties based on long-standing and historic relations that have allowed many Iranians traders to migrate and invest in UAE's

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<sup>134</sup> Sadjadpour, 21.

<sup>135</sup> Cohen et al. 4.

<sup>136</sup> Ibid, 5.

<sup>137</sup> Baker, 3.



strong and stable market. There are more than 450,000 Iranian residents in the UAE.<sup>138</sup> Although the dispute has not been resolved over Iran's occupation of the three UAE islands (Greater Tunb, Lesser Tunb, and Abu Musa), the UAE has managed to separate its economic imperatives from its political one in regard to this issue. The UAE has sought to resolve the dispute using international law and the International Court of Justice.<sup>139</sup> This is part of Iran's bigger picture of establishing dominion over the Caspian and Gulf region through economic ties which will contribute to its military build-up to become a regional superpower. Initially, Iran's ideological strategy of Islamic revolution failed, thus necessitating adoption of more pragmatic policies. However, Iran's long-term goal is to see the GCC states break free from dependence on the United States for protection.<sup>140</sup> In so doing, Iran will have succeeded in marginalizing if not destroying the GCC organization. Thus, Iran has prioritized establishment of bilateral relations with individual GCC states rather than deal with the GCC as a whole. Iran has taken advantage of the fact that the GCC has failed to devise an effective strategy to address the Iranian problem.

Iran's pursuit of nuclear power and the response of the international community best depict its confrontational relationship with Western powers.<sup>141</sup> Beginning in the mid-1980s, the United States has dismissed Iran's claims that its nuclear energy program is for peaceful use. The reason for this confrontation lies in the disparity of views about the nuclear programs between the two sides. To start with, the United States, representing the West, views nuclear power in relation to security issues. In support of this view, the reasons for Iran's engagement in nuclear power program include Israel's venture into nuclear energy for deterrent purposes, Iraq's acquisition of nuclear weapons in the 1980s, and the possibility of a U.S.-led attack on Iran. Based on this view, it is assumed that if

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<sup>138</sup> Karim Sadjadpour. *The battle of Dubai the United Arab Emirates and the U.S.-Iran cold war*. Washington, DC: Carnegie Endowment for International Peace, 2011, 5.

<sup>139</sup> Anwar Gargash, "Iran, the GCC States, and the UAE: Prospects and Challenges in the Coming Decade," in Jamal S. al-Suwaidi, ed., *Iran and the Gulf: A Search for Stability*, (Abu Dhabi: The Emirates Center for Strategic Studies and Research, 1996), 135.

<sup>140</sup> Cronin, "The Islamic republic of Iran and the GCC states: revolution to realpolitik," 3–5.

<sup>141</sup> De Boer, 94.

Iran breaks loose, it would quickly develop nuclear bombs and disrupt world security. On the contrary, Iran's view of its nuclear program is based on domestic political issues and the dividedness of the West in handling Iranian issues. Iran views acceptance of the Western demands on nuclear energy as part of the West's meddling in other affairs such as the Arab-Israeli conflict, terrorism, and human right issues. Iran's leader, Ahmadinejad, has articulated this view several times by referring to the Western perception of Iran's nuclear program as "nuclear apartheid."<sup>142</sup>

However, the GCC states are united towards opposing Iran's military ambitions, including upgrading of its naval facilities and pursuit of nuclear power. To start with, the GCC states are aware of their direct vulnerability to Iran's superiority and are afraid of the motives behind Iran's ascendancy. The wariness of the GCC states is not only due to the nature of the Iranian regime, but also because Iran is a permanent Gulf power—unlike the United States.<sup>143</sup> In addition, the possibility of naval confrontation involving Iran and the United States, especially in Bahrain where the U.S. Fifth Fleet is positioned, is a major security concern for the GCC states.<sup>144</sup>

### C. GCC ESTABLISHMENT AND CURRENT ISSUES

It is important to understand that the concept of Khaleejism—"Al-Khaljannah" in Arabic—as a significant factor in the GCC's historical response to events in the Gulf region. It represents a form of nationalism and identity that is uniquely related to the Arab states of the Arabian Gulf, a legacy characteristic of the Arabian Peninsula's desert-dwelling social environment. Khaleejism is commonly and occasionally used to describe the idea that people represented by the Gulf Cooperative Council (GCC) collectively share norms and values that transcend geographic boundaries and create a unique GCC identity. The notion of Khaleejism is characterized by an integration, partnership, and confederation under one regional entity that share many things in common. The Arab

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<sup>142</sup> De Boer, 95.

<sup>143</sup> Cronin, 4.

<sup>144</sup> Gerd Nonneman, *Terrorism, Gulf security and Palestine: key issues for an EU-GCC dialogue*. San Domenico di Fiesole: European University Institute, 2002. 43–44. [http://www.eui.eu/RSCAS/WP-Texts/02\\_02p.pdf](http://www.eui.eu/RSCAS/WP-Texts/02_02p.pdf)

Gulf States share many political, economic, and social similarities: political monarchy systems, strong economies, interests and aspirations, the Arabic language, paternalism, historical background, the Islamic religion, homogenous cultures, customs, traditions, tribal structures, and a shared geographic location—the Arabian Peninsula—all of these are Khaleejism-influencing factors which contributed to the establishment of the Gulf Cooperation Council (GCC).

The formation of the GCC and its charter was based upon a regional legal, economic, and political mandate. The strategy for merging the common interests of the six traditionally tribal Arab Gulf States—the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, Qatar, the Kingdom of Saudi Arabia, and the United Arab Emirates (or “UAE”)—was centered on the establishment of strong relations to address security concerns and issues that impact the political economy of the region. The strategy that evolved with the formation of the GCC is viewed as a survival strategy intended to collectively manage the inherent volatility of the region; particularly that originating from two neighboring states: Iran and Iraq.<sup>145</sup> Understanding the circumstances in which the GCC was formed, and its significant role in the region in terms of collective security, provides valuable insight for external decision makers impacted by regional disruptions of the global energy supply chain.

The establishment of the GCC organization is attributed to the Iranian revolution, the Soviet invasion of Afghanistan, and the war between Iran and Iraq. These events prompted the need to form a strong regional relationship to ensure collective security. On May 25, 1981, the rulers of the six Gulf States held their first meeting in Abu Dhabi, UAE. The formation of the Council was intended to: (1) accomplish collective cooperation in all aspects as a means to unity; (2) create similar institutions including economies, customs, commerce, health, legislation, administration, communication, social welfare, education, culture, information, and tourism; and (3) catalyze technological and scientific progress.<sup>146</sup> The cooperation between the six Arab countries has proven to be productive in terms of its political and economic outcomes. The cooperation had substantial

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<sup>145</sup> Alasfoor, 87.

<sup>146</sup> Ibid, 43.

considerations for the need for sensitivity with regard to the political and economic dynamics that exist in the region. The success of the GCC states has been realized through a steady and thoughtful consensus approach designed to achieve collective cooperation through the integration of the Gulf member states' individual priorities.

The policies of six individual GCC member states have been effectively coordinated to deal with common problems and challenges that are faced collectively within the region. Before its organization, problems of the Gulf States were viewed as competing and contradictory. For example, divisive factors such as the existence of an economically affluent Saudi Arabia dominating pricing arrangements over the common market products of oil and petrochemicals,<sup>147</sup> was a significant barrier to cooperation that the GCC helped resolve. Prior to the GCC's organization, these competing individual priorities among member states in the region had diminished the effectiveness of the accord. In order to remove the barriers, the GCC took the responsibility to strengthen the ties between its members. It also went a further step to fulfill and meet the aspirations and ambitions of the citizens in the GCC.<sup>148</sup> By enabling efforts to coordinate policies, the member states were able to enhance trade and address common security issues within the region. The policies that led to the formation of the GCC emerged from different organizations that had previously existed in the region, such as the Arab league in 1945, the Organization of Islamic Cooperation OIC in 1969, and the successful federal union between the seven Trucial emirates to establish the United Arab Emirates UAE in 1971.

The charter of the GCC has a well-established structure. Agenda items are introduced and considered by three main bodies: the supreme council, the ministerial council, and the secretarial general. The ultimate goal of establishing these structures was to address the political and strategic issues that were of central concern within the Gulf region. Priorities have included Arab relations, international relations, security issues, and information sharing.<sup>149</sup> Common goals integrated into a defined structure have enhanced

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<sup>147</sup> Rouhollah K. Ramazani and Joseph A. Kechichian, *The Gulf Cooperation Council: record and analysis*, University of Virginia Press, 1988.

<sup>148</sup> Ibid, 137.

<sup>149</sup> Joseph A. Kechichian, "The Beguiling Gulf Cooperation Council," *Third World Quarterly*, Vol. 10, No. 2, Islam & Politics, Apr 1988, 1052–1058.

the establishment and implementation of the GCC policies—particularly those that have facilitated mutual security through the purchase of weapons for mutual defense—not only to reduce the degree of dependency on foreign bilateral defense agreements, but also to contain the Iran-Iraq war and Iran’s provocative actions and interferences towards the GCC states.

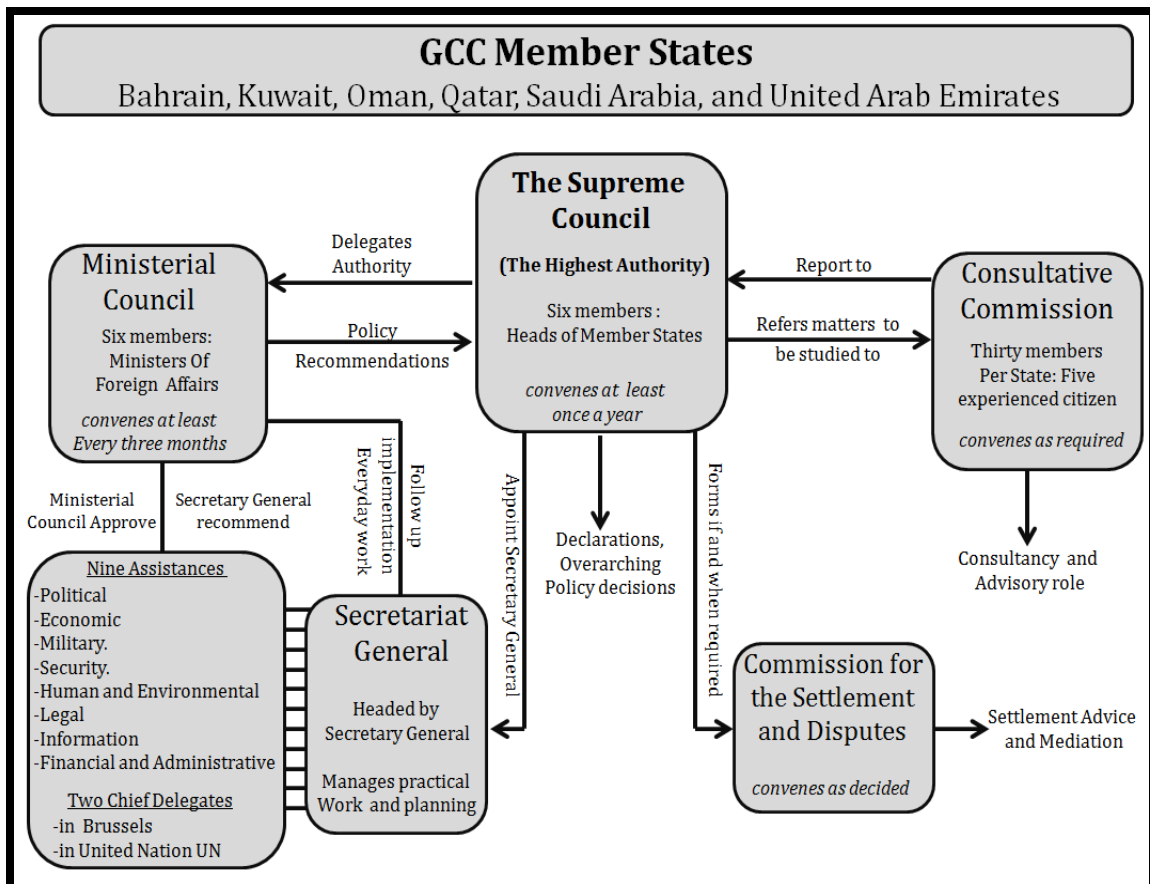


Figure 5. The GCC Organizational Structure

The formation of the GCC can be viewed as a result of two main areas of cooperation: economic and security cooperation. The main economic objective of the GCC was to coordinate and integrate the economic policies of the Gulf States into a common market. The efforts of the economic cooperation in the region were intended to improve the efficiency of the economy and create a greater wealth distribution in the region. The economic unity agreement that was signed by the member states in 1981 was

placed above the previous bilateral agreements, and established a process to facilitate the freedom of movement between the Gulf States, enhance completion through freedom of trade, and establish a common economic infrastructure for the region. The economic policies were also intended to eliminate the existing custom duties in the region, coordinate import and export policies, free movement of labor, enhance technological development, and promoting common policies for oil and joint projects in the region.<sup>150</sup>

On the security front, the GCC's establishment was based on principles to guide the security policies of the region. In this respect, the GCC's main mandate has been the promotion of the well-being of individuals through the promotion of stability and security in the region. The formation of the GCC is founded on the principle of collective security. It was also established to act as a mutual-defense mechanism against forces that impact the domestic stability and foreign relations of member states.

The defense policies of the GCC States are concerned with weapon acquisition and the formation of military Gulf forces called the "Peninsula Shield Force."<sup>151</sup> It is important to note that the collective security mission of the GCC states is focused on the integration of joint defense systems and the development of a common military infrastructure. These policies were also intended to address the purchase of arms while establishing a joint military system capable of responding to security issues in the region. For example, the Peninsula Shield Force, as a joint security arrangement, has conducted military exercises in the region. GCC security personnel have worked out a contingency plan to address security threats that are likely to confront the region.<sup>152</sup>

The GCC states have been wary about the security of the entire Gulf region since the eruption of Iranian revolution. The revolution gave rise to many shared security concerns among the GCC states. As early as 1981, Bahrain, Saudi Arabia, and Kuwait were particularly concerned about a possible disruption of their internal affairs—

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<sup>150</sup> Robert E. Looney, "The Gulf Co-operation Council's Cautious Approach to Economic Integration," *Journal of Economic Cooperation* 24, no. 2 (2003): 137–138.

<sup>151</sup> Glenn P. Kuffel, *The Gulf Cooperation Council's Peninsular Shield Force*. Ft. Belvoir: Defense Technical Information Center, February 07, 2000. 3–8.

<sup>152</sup> John A. Sandwick., *The Gulf Cooperation Council: moderation and stability in an interdependent world*. Boulder, Colo.: Westview Press, 1987.

especially following a botched coup plot in Bahrain. The coup was linked to pro-Iranian activism in the region and went a long way into justifying the establishment of the Gulf Cooperation Council.<sup>153</sup> The security threat posed by Iran in the region led the GCC states to launch a campaign to establish a working security framework to guard themselves against Iran's subversive tactics. Territorial conflicts and border disputes are some of the issues that have characterized relations between Iran and GCC states, especially during the last three decades. Boundary conflicts pose a serious threat to security in the gulf, especially due to the large amounts of wealth in the form of oil that could change hands if a boundary is moved only a few degrees. Although border disputes may exist between the GCC states, those that involve non-GCC states such as Yemen, Iran, and Iraq have been of particular concern. Iran has been a major player in the competition for the GCC states since the British withdrawal from the region. Iran's occupation of three islands believed to be part of the United Arab Emirates continues to raise political tensions and stand in the way of cooperation between Iran and the GCC states.<sup>154</sup>

Recent conflicts in the Gulf region have disrupted the balance of power and transformed the relationship between Iran and the Gulf States. During the early 1980s, Iran, Saudi Arabia, and Iraq were the main regional powers, each of which had the ability to establish a new regional order. Indeed, the last decade of the 20<sup>th</sup> century was characterized by a decline in the significance of the Arab-Israel conflict as a regional destabilizing factor. At the same time, the confrontation between Iran and the GCC states gained more weight as a regional security threat. Although Iran and Iraq had a greater potential than any other did Gulf State to disrupt regional order in the 1980s, Iraq's military prowess helped to keep the Iranian revolution at bay since the two powers were always antagonistic. However, after the Iran-Iraq war, and the elimination of Iraq from the power play by the United States, Iran began to direct its antagonism towards the GCC states.<sup>155</sup> In response, the GCC states have been working towards a cooperative defense.

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<sup>153</sup> Alasfoor, 93- 141.

<sup>154</sup> Ibid, 110.

<sup>155</sup> Ibid, 114.

The fact that GCC leaders did not clearly identify military cooperation as one of its main agenda items reveals that their attempt to come up with a cooperative military strategy barely a year after the GCC was formed was born out of fear of external attack, especially by Iran. Although initially the main focus of the joint military campaign was to confront the threat of posed by Yemen to Oman, the Iranian attack on Saudi and Kuwait oil tankers in 1984 prompted the GCC leaders to speed up the process of establishing an integrated defense force.<sup>156</sup>

At the same time, Saudi Arabia began strengthening its air force while assisting Kuwait to upgrade its missile system. Apparently, the GCC leaders advised Saudi Arabia to take more stringent security measures to guard oil tankers during the 1984 GCC summit. This is because after the meeting, the Saudi Arabia air force kept a full-time patrol over the Gulf's western shores to prevent Iranians from attacking oil tankers. The attempts to strengthen domestic and regional defenses intensified throughout the 1990s with more of the GCC states' income being allocated for the purchase of sophisticated weapon technology. Saudi Arabia is believed to have taken the lead in buying the best weapons and building defense strategies, including the Delmon Eye project intended to link the Air defense of Saudi Arabia with Kuwait, Bahrain, and Oman as part of the GCC defense program.<sup>157</sup> The GCC leaders chose Oman to head the process of developing an integrated GCC defense force at the 1990 GCC summit. Since Oman had been a victim of external aggression, perhaps the GCC leaders felt that Oman best understood the urgency and necessity of a joint military force. Further, the invasion of Kuwait revealed the solidarity of GCC states under the threat of external attack by Iran. Despite their military inferiority at the time, the GCC states supported the UN coalition force by providing military bases, fuel, and troops. Up to now, Iran has been denied the opportunity to become a member of the GCC. The exclusion of Iran from GCC membership sheds more light on its relations with the GCC states. To start with, the GCC states share the view that Iran and Iraq were the main destabilizing agents in the Gulf at the time of the GCC's

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<sup>156</sup> Alasfoor, 116.

<sup>157</sup> Ibid, 117.



formation.<sup>158</sup> In addition, the GCC states viewed the Iranian revolution as a major threat to regional security due to its potential to establish a new Islamic regional order.<sup>159</sup>

#### **D. THE RELATIONSHIP BETWEEN IRAN AND GCC STATES (1979–2011)**

The Iranian Islamic revolution and its impact on Iranian foreign policy laid the foundation for the formation of the GCC. The GCC states were uncomfortable with the Iranian revolutionary ideology and did not wish to participate in Iran's war with Iraq.<sup>160</sup> The Iranian leader made it clear to the GCC states that they should depend on Iran for security instead of relying on Western powers. He also wished that GCC states would embrace Iran's new political ideology and system of government. However, the GCC states considered the Iranian revolution a threat to their internal security, and hence joined hands under the GCC umbrella to find a means of protecting themselves. Both the United States and the United Kingdom were pleased with the idea of forming a protective mechanism that would delineate Iran and tame its desires.<sup>161</sup> The GCC states' disfavor with Iran became clear during the Iran-Iraq war in which the GCC states supported Iraq. The GCC states were particularly put on high alert following allegations that Iran supported the 1982 coup to overthrow the Bahrain government, Iran's role in the bombing of numerous Western embassies in Kuwait, and Iran's territorial disputes with the United Arab Emirates.

Iran's relations with the GCC states during the reign of Rafsanjani were driven by both short-term and long-term ends. Iran's immediate goals were to reverse the negative impact of Khomeini's revolution on its relations with GCC states and keep Iraq under check. To reconcile with the Gulf States, Rafsanjani focused on improving ties with Saudi Arabia. The 1987 bloody had severely damaged Iran's diplomatic relations with

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<sup>158</sup> Marina Ottaway, "Iran, the United States and the Gulf: the elusive regional policy," *Middle East Program* No. 105, Nov. 2009. 13. Accessed December 20, 2011.  
[http://carnegieendowment.org/files/iran\\_us\\_gulf1.pdf](http://carnegieendowment.org/files/iran_us_gulf1.pdf)

<sup>159</sup> Joseph A Kechichian, "The gulf cooperation council: search for security," *Third World Quarterly* 7 no. 4 (1985): 867. Accessed December 20, 2011.  
<http://www.jstor.org/stable/pdfplus/3991756.pdf>

<sup>160</sup> De Boer, 76.

<sup>161</sup> Ibid, 76.

Saudi Arabia. However, the two states renewed their ties in 1991 due to their common opposition towards Iraq. The evidence for the restoration of diplomatic ties between the two countries includes Saudi Arabia's expression of support for the Rafsanjani regime, which culminated in the 1998 state visit of the Iranian leader to Saudi Arabia.<sup>162</sup> Rafsanjani's strategy for the GCC states was not only bilateral but also included an attempt to collaborate with the GCC in addressing regional security issues. However, the GCC's 12<sup>th</sup> summit held in Kuwait only supported bilateral ties with Iran in pursuant of shared interests and dismissed Iran's offer to become the region's security guarantor. Instead, the Gulf States preferred the presence of Western powers for fear that Iran had malicious intentions. At the same time, the United States was strongly opposed to Iran's inclusion in regional security arrangements. In addition, Iran was still occupying the disputed islands of Abu Musa and the Tunb. Indeed, the territorial disagreements between Iran and the United Arab Emirates prompted the United States to intensify its military presence in the GCC states, hence giving it an upper hand in influencing GCC states to adopt anti-Iranian policies.

In 1997, Iran hosted the Organization of the Islamic Conference (OIC), which marked a major shift in Iran's diplomatic relations with other Arab states.<sup>163</sup> The meeting signaled Iran's willingness to pursue friendship with other Arab states. The Iranian leader, Khatami, recognized that closer ties with his neighbors would not only be beneficial economically but also improve security in the region. Khatami also recognized the strategic role of Saudi Arabia in the Arabian Gulf and continued to strengthen its ties with GCC countries such as Saudi Arabia and UAE. However, Iran's tolerance and willingness to pursue diplomatic ties with the Gulf states was driven by national interests rather than a change in ideology. Iran still held onto its radical Shi'a religious ideology, which differs significantly from the Arabic interpretation of Islam. In addition, the conflict over the three islands between Iran and United Arab Emirates continued to undermine progress towards closer diplomatic ties between Iran and the GCC states.

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<sup>162</sup> Ibid, 79.

<sup>163</sup> De Boer, 88.

Iran's Import from GCC states (in Millions of dollars)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Bahrain	65	52	55	42	50	101	112	147	100	724
Kuwait	10	11	25	80	64	107	175	229	155	856
Oman	4	2	4	6	3	22	51	509	346	947
Qatar	5	20	23	66	27	31	58	76	52	358
KSA	163	261	405	249	254	444	469	615	418	3278
UAE	1502	1848	3135	5476	7285	8980	10081	13199	8973	60479
Total	1749	2194	3647	5919	7683	9685	10946	14775	10044	66642
Iran's Exports to GCC states (in millions of dollars)										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Bahrain	0	0	0	0	0	0	0	0	0	0
Kuwait	130	123	137	157	209	250	295	386	262	1949
Oman	46	22	46	41	53	112	157	208	141	826
Qatar	25	19	18	14	52	53	63	82	56	382
KSA	119	90	115	274	487	583	688	901	612	3869
UAE	348	365	381	438	582	697	822	1076	731	5440
Total	668	619	697	924	1383	1695	2025	2653	1802	12466

Table 2. Imports and Exports between the GCC and Iran (2001–2009).<sup>164</sup>

The most recent factor affecting the relationship between Iran and the GCC states is the 2003 Iraq war and its aftermath. The GCC states distanced themselves from the U.S.-led war in Iraq despite their awareness of the implications of the war for their own security.<sup>165</sup> Apparently, the GCC states could not interfere with U.S. invasion of Iraq since the U.S. is their security guarantor. Their dependency on the United States for security is one of the factors believed to be fueling rivalries and tensions in the gulf.<sup>166</sup>

<sup>164</sup> Habibi, 5–6.

<sup>165</sup> Cronin & Masalha, 7.

<sup>166</sup> Kayhan Barzegar, "Balance of Power in the Persian Gulf: an Iranian view," 3–12.

The GCC knew that the overthrow of the Ba'athist regime would open up the region to Iran's expansionism. For this reason, the GCC states expressed dissatisfaction with the U.S. plans to withdraw its troops from Iraq before the end of 2011. Iran, on the other hand, desired the overthrow of Iraq's Ba'athist regime. However, Iranians were concerned about the increasing influence of the United States in the region. This may explain why Iran opposed the Iraq war.<sup>167</sup>

In 2005, Ahmadinejad, a neo-conservative, became the president of Iran, and was re-elected in 2009. This provides evidence that the neo-conservatives in Iran are stronger than the reformists.<sup>168</sup> According to analysts, he squandered all of the good reputation restored by Rafsanjani and Khatami with the West and the GCC States.<sup>169</sup> In addition to Iranian support for the Syrian regime and Hezbollah in Lebanon, Ahmadinejad attempted to cultivate stronger brotherhood ties and went beyond the region by seeking new allies with many states in Latin America. He has adopted a foreign policy whose main focus is to secure Iran's interests in the region and enhance Iran's national security.<sup>170</sup>

Ahmedinejad aimed at addressing Iran's security challenges while utilizing the opportunity created by the absence of Afghanistan's Taliban and Iraq's Ba'athist regimes. This pragmatism will continue to shape the behavior of Iran's government under Ahmadinejad. However, Iran's foreign policies have primarily been guided by ideology and geopolitics, both of which have different implications for the region and the West. The main sources of disagreements between Iran and the United States are the Iranian nuclear power issue, the sanctions imposed on Iran, and the presence of U.S. forces in the region. Since Iran's security or insecurity have significant correlations with regional security or insecurity, the United States and the GCC states have a reason to intensify the pursuit of consensus on the nuclear dispute. Therefore, it is necessary for the U.S. and

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<sup>167</sup> Cronin & Masalha, 8.

<sup>168</sup> Anoush Ehteshami, "The Rise and Impact of Iran's Neocons," The Stanley Foundation. April 2008.1. Accessed February 3, 2012.  
<http://www.stanleyfoundation.org/publications/pab/RiseandImpactEhteshami08PAB.pdf>

<sup>169</sup> De Boer, 90.

<sup>170</sup> Kayhan Barzegar, "Iran's Foreign Policy Strategy after Saddam," *The Washington Quarterly*, 33 no. 1(2010), 177.

Iran to initiate dialogue to resolve all concerned issues through direct or indirect channels. Although Ahmedinejad's government has received widespread support domestically for regarding Iran's nuclear program as a technological advancement for which the nation and even the region needs to be proud,<sup>171</sup> the Gulf States have experienced a sense of intimidation and crisis behind the Iranian regime's motivation in developing its nuclear program.

Although Ahmedinejad invited and attended the 2007 GCC summit in Doha to propose a security and peace agreement with the GCC without any foreign intervention, the GCC leaders had suspicions about acceptance of the Iranian regime. The U.S. accused Iran in destabilizing the region especially in Iraq and Afghanistan. On the other hand, GCC States asked the Iranian regime to stop using non-state actors for interfering in GCC's internal affairs.

#### **E. U.S. STRATEGY IN THE GULF AND ITS IMPACT ON IRAN-GCC RELATIONS**

The United States is currently the main external security guarantor in the Gulf region. Therefore, as opposed to Iran, the United States supports the status quo and is unlikely to tolerate much risk. This is because the current security arrangement is of vital benefit to the international community since it ensures safe access to energy resources, especially oil from the Arabian Gulf region. Although the United States is unlikely to use military means against Iran, it is determined to defend its allies in the region—including the GCC states—against Iran's aggression. The U.S. security strategy for the Gulf region is thus based on several related goals: deterrence of attack on its territory by its enemies, especially Iran; defending its GCC allies from their aggressive neighbors; and ensuring stability in the Gulf region to guarantee access to the region's energy resources.<sup>172</sup> In addition, the U.S. presence in the region limits the relative political advantage that its adversaries would gain over U.S. allies in the region.

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<sup>171</sup> Ibid, 184.

<sup>172</sup> Cohen et al., 5.

The United States considers the “balance of power” approach as the most appropriate strategy for guaranteeing security in the Gulf region.<sup>173</sup> Before the U.S.-led invasion of Iraq, the balance of power between Iraq and Iran was the main source of political stability in the Arabian Gulf.<sup>174</sup> The balance of power created an opportunity for the United States and other external powers to pursue their interests in the region. However, the regime change in Iraq following the U.S.-led war in 2003 disrupted the balance of power by eliminating Iran’s main rival, hence creating an opportunity for Iran’s influence to increase. The United States failed to redefine the role of Iraq in the balance of power in the Arabian Gulf following the overthrow of the Ba’athist regime. Apparently, the United States has attempted to establish a new balance of power by minimizing Iran’s influence. However, the role of the United States as an actor in the balance of power in the Arabian Gulf has created more security concerns. Following the 2003 Iraq war, the United States and Iran have been competing for influence in the Gulf region.<sup>175</sup> The two states hold conflicting views about how to provide security in the gulf. While the U.S. security strategies are centered on the view that Iran is the main source of insecurity in the region, Iran regards the involvement of the United States in the gulf as a security threat by itself.<sup>176</sup> The United States has pursued deterrence and containment policies to maintain the balance of power in the Arabian Gulf in the past. During the 1990s, the United States practiced a dual-containment strategy aimed at limiting the power capabilities of Iraq and Iran.<sup>177</sup> The implementation of dual containment involved the use of sanctions, military presence, minimization of the influence of other foreign actors such as Russia, as well as conducting weapon inspections in Iraq and Iran. However, the dual-containment strategy no longer functions effectively due to the lack of

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<sup>173</sup> Kayhan Barzegar, “Balance of Power in the Persian Gulf: an Iranian view,” 1–12.

<sup>174</sup> Kraig, 147.

<sup>175</sup> Marissa Allison, “U.S. and Iranian strategic competition: Saudi Arabia and the gulf states,” Centre for strategic & international studies, 3. Accessed December 16, 2011. [http://csis.org/files/publication/101207\\_U.S.\\_Competition\\_with\\_Iran\\_Saudi\\_Arabia.pdf](http://csis.org/files/publication/101207_U.S._Competition_with_Iran_Saudi_Arabia.pdf)

<sup>176</sup> Barzegar, 2/12.

<sup>177</sup> Robert E. Hunter, “Building security in the Persian gulf,” RAND Corporation, 2011, 19–23. Accessed December 8, 2011. [http://www.rand.org/pubs/monographs/2010/RAND\\_MG944.pdf](http://www.rand.org/pubs/monographs/2010/RAND_MG944.pdf)

a suitable state to play the role of Iraq. Indeed, the balance of power approach has led to an escalation of the competition between Iran and other Gulf States for military dominance.

The willingness of GCC states to allow the United States military to remain in the region is one of the main factors hindering smooth relations between Iran and other Arabian Gulf States.<sup>178</sup> Indeed the GCC states have a relatively long history of dependence on Western powers for protection against potential aggressors, especially Iran. Since the early 19<sup>th</sup> century, the smaller GCC states relied on Britain for protection. However, Britain's withdrawal in 1971 opened up the region for U.S. influence as a security provider, with Saudi Arabia taking an early lead in establishing close ties with the U.S.. Other GCC states followed in Saudi Arabia's footsteps and established bilateral security and military arrangements with the United States. Iran has all along maintained the view that the U.S. military presence in the Gulf is a threat to security and has been urging GCC states to cut their ties with external powers and cooperate with Iran in establishing a security system that is void of Western influence. Apparently, the GCC states do not trust Iran's intentions and have always feared Iranian hegemony, hence they would prefer to heighten their perceived vulnerability compared to Iran by seeking help from the United States rather than attempt to cooperate with Iran.

In addition, Iran is particularly not pleased with the GCC states for supporting U.S. views concerning its nuclear technology issue. The Obama government is determined to deter Iran from developing nuclear capabilities for fear that Iran might develop nuclear weapons. On the contrary, the GCC states have better chances than Iran to succeed in launching their own nuclear energy programs due to their close ties with the United States. For instance, the United Arab Emirates has already entered into an agreement with the United States to begin a nuclear energy program under strict instructions to prevent leakage of technology to Iran.<sup>179</sup> This demonstrates the double-standards of the U.S. nuclear energy policy and increases Iran's disappointment in the

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<sup>178</sup> Cronin & Masalha, 4.

<sup>179</sup> Kenneth Katzman, "The United Arab Emirates (UAE): Issues for U.S. Policy," Congressional Research Service, March 10, 2011, 2.

GCC's support for U.S. policies. The GCC support for U.S. policies towards Iran continues to cause concern in the region, especially in the event that Iran threatens to retaliate.

#### **F. MILITARY BUILDUP AND ARMS RACE BETWEEN IRAN AND GCC STATES**

Recent trends indicate that both Iran and the GCC states have embarked on improving their military capabilities. Part of Iran's military modernization strategy is to develop its domestic defense industry and produce its own advanced weapons.<sup>180</sup> In the past, Iran has demonstrated its ability and desire to acquire weapons technology from Russia, China, and North Korea. Indeed, Iran has been equipping itself for asymmetric warfare through procuring air and anti-ship missiles, submarines, advanced air defense missiles, and other weapons. It has also bought modern tanks and aircraft from Russia. Furthermore, Iran has made significant progress in deploying long-range missiles including shahab-3 missiles and advanced scud-type weapons. Iran's other major goal is to improve its asymmetric warfare capabilities both at sea and on land.

Similarly, the GCC states have each taken measures to improve their individual military capabilities, perhaps to increase their ability to resist possible Iran aggression. However, the GCC states lack a collective defense strategy, which is a major weakness since none of the GCC states is individually capable of deterring Iran using military means.<sup>181</sup> The United Arab Emirates has enhanced its naval capabilities by establishing naval bases and acquiring a fleet of fast naval vessels to protect its maritime and coastal resources from any form of attack.<sup>182</sup> Saudi Arabia, on the other hand, is intending to develop blue water capabilities and has already acquired surface assets with a wide range of capabilities. Saudi Arabia has also taken measures to develop its domestic defenses, including the upgrading of the Saudi Arabia National Guard and air forces. Other GCC states such as Qatar, Oman, and Bahrain are expanding their air and naval capabilities.

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<sup>180</sup> Cordesman, 5.

<sup>181</sup> John E. Mundale, "Presidential Use of Forces in Defense of Key Shipping Chokepoints: the Suez, the Gulf and the Future," 4. Accessed January 29, 2012.  
<http://www.thepresidency.org/storage/documents/Calkins/Mundale.pdf>

<sup>182</sup> Cordesman, 3.



Development of surface-to-air missiles of varying ranges appears to be a shared focus among the GCC states. Saudi Arabia, the United Arab Emirates, and Kuwait are procuring modern Patriot Advanced Capability (PAC-3) systems. The United Arab Emirates finalized the agreement with U.S. to acquire Terminal High-Altitude Air Defense (THAAD) units.<sup>183</sup>

The revamping of the military capabilities of GCC states indicates that they intend to be self-reliant in deterring Iran from using its military strength to take over regional control. However, since the GCC states have not yet developed a comprehensive joint security strategy, they continue to rely on the United States to protect them from external aggression. Apparently, the level of cooperation with the United States varies across the GCC states with the smaller, weaker states demonstrating more willingness to cooperate. Saudi Arabia, being the strongest GCC state, has demonstrated the desire to be self-sufficient in its security provision. However, it cooperates with the United States in the meantime since it lacks the military capability needed to provide security in the Southern Gulf. Although Iran is quite stronger than any of the individual GCC states in military capabilities, its military power is much weaker than that of the GCC states combined in terms of the amounts of money spent on arms purchases and military developments.<sup>184</sup> However, due to lack of cooperation among the GCC states on security matters, they remain remarkably vulnerable to the threat of Iran. Despite the ability of the United States to gain quick control over any possible Iranian attack, there is no guarantee that it would do so, especially due to its lack of decisive power to strike Iranian forces.<sup>185</sup>

## **G. CONCLUSION**

Iranian foreign policy, the close ties between GCC states and the United States, and the balance of power phenomenon are some of the main factors influencing the relationship between Iran and the GCC states. Iran's foreign policy has evolved gradually under different leaders since the Khomeini-led Iranian revolution. Initially, Iran adopted

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<sup>183</sup> Cordesman, "Iran and the Gulf military balance-I: The Conventional and Asymmetric Dimensions," 131.

<sup>184</sup> Cordesman et al., "The Gulf Military balance in 2010," 8.

<sup>185</sup> Ibid, 9.

an ideological approach to establishing itself as a regional superpower. However, this approach failed since GCC leaders considered Iran's revolutionary ideology as a threat to regional security. In response, Iran kept its religious ideology in the background and adopted pragmatic approaches such as improving economic and diplomatic relations with GCC states. Although this approach led to an improvement in GCC-Iran relations, the achievement has been limited to bilateral arrangements to pursue state interests rather than attainment of Iran's primary ambition of becoming a regional superpower. The GCC states' close ties with and reliance on the United States as an external security provider has further complicated Iran-GCC relations. Since Iran opposes the United States in all ways, there can never be hope for tension-free relations between Iran and the GCC states. Indeed, both Iran and the GCC states have demonstrated varying degrees of insecurity. The failure of the GCC to develop an effective regional security strategy has forced individual GCC states to arm themselves in readiness for possible Iranian aggression. Similarly, Iran has been arming itself, partly to defend its borders in case of possible U.S. aggression over its alleged nuclear program, and partly in preparation to become a regional superpower. In summary, although there have been elements of positive relations between Iran and its GCC neighbors, their impact on the perception of Iran as a threat to regional security is insignificant since they are restricted to bilateral agreements with limited shared state interests.

## **V. CONCLUSION: THE STRATEGIC ALTERNATIVES AND APPROACHES OF GCC STATES TO BECOME THE REGIONAL SECURITY ENTITY**

### **A. THE STRATEGIC ALTERNATIVES AND APPROACHES**

The Gulf region supplies nearly twenty percent of global oil, making the region strategically important to the international community.<sup>186</sup> Most of this oil is exported via the highly insecure Strait of Hormuz, from which it enters the Indian Ocean sea routes to the consuming states. This means that developing a security framework to ensure stability in the Gulf to prevent interruptions in the oil supply is a matter of necessity. The historical and current security state of the Gulf region further lays bare the need for an effective collective security apparatus. Inter-state wars, tensions, and political disputes have characterized the Gulf over the last three decades. The main destabilizing agent in the region has been the Islamic Republic of Iran.<sup>187</sup> Iraq's desire to prove its superiority as a regional power led to the 1990 invasion of Kuwait, prompting the United States and other Western powers to intervene through military action and the imposition of economic sanctions on Iraq. The Islamic opposition intensified with the arrival of Western military forces in the region as demonstrated by the significant increase in terrorist activities that provoked the U.S. to declare war on terrorism and invade Iraq in 2003. In addition, the competition between Iran and Saudi Arabia for dominion over the relatively smaller and younger oil-producing Gulf States continues to raise tensions in the region.<sup>188</sup>

The regional security situation compelled the Gulf States to adopt a comprehensive approach to the problem, leading to the formation of the Gulf Cooperation Council (GCC).<sup>189</sup> Initially, the security strategies of the GCC states

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<sup>186</sup> Alani, 31.

<sup>187</sup> Kostiner, 245.

<sup>188</sup> Ibid, 246.

<sup>189</sup> Christian Koch, "The GCC as a regional security organization," *KAS International Reports* 11(2010), 24–35.

included the use of diplomacy and military defense to prevent escalation of conflict. However, since the states are relatively small and weak, they settled for soft power or peaceful means of preventing conflict such as diplomacy, mediation, and conflict-regulation tactics. However, these GCC strategies failed to deter Iraq from attacking Kuwait, hence demonstrating that peaceful tactics such as mediation would be inadequate to guarantee the security and political stability that the region required.<sup>190</sup> This has remained a major concern for the GCC since subsequent arrangements to form a joint military force have been unsuccessful due to disagreements on the effectiveness of such a force.

More recently, the GCC settled for a Joint Defense Agreement under which an attack against any of its member states would be considered an aggression against the GCC as a whole.<sup>191</sup> The agreement requires each member state to provide military aid in case of such aggression. However, even after a decade of its existence, the joint defense agreement has been limited to minimal consultation and cooperation. Since the GCC is the only active regional entity in the Gulf, it should demonstrate more commitment towards provision of security in the region. This could be achieved through various strategies including construction of safe alternative export routes and seaports, working towards self-reliance in security provision, and establishing internal and external defense forces, among other strategies. In this paper, I explore the potential strategies that the GCC can adopt to become an effective regional security entity.

## **B. STRATEGY I: CONSTRUCTION OF SAFE ALTERNATIVE PIPELINES AND SEAPORTS**

The GCC cannot hope to provide adequate security in the Gulf region without ensuring that its links to trade partners within and without the region are protected from any form of compromise. Currently, the Gulf States rely on the Strait of Hormuz to

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<sup>190</sup> Koch, 24.

<sup>191</sup> Ibid, 27.

transport over 85 percent of its oil to the USA, Europe, and Asia.<sup>192</sup> Reliance on the Strait of Hormuz represents one of the biggest vulnerabilities of the Gulf States since a military confrontation involving Iran would lead to closure of the strait. Indeed, the likelihood that Hormuz would be closed amidst escalation of the dispute between America and Iran over Iran's nuclear weapon program is very high. Although the idea of exploring alternative routes for transporting the Gulf oil might be in the minds of the GCC, there has not been any significant progress or commitment towards the endeavor. Yemen seaports are one of the most promising safe outlets through which the GCC states could channel their oil to the international community.<sup>193</sup> Some of the Gulf States are speculated to be planning to construct pipeline networks to link them with Yemen and enable them to export oil without relying on Hormuz. One of the pipelines, the Gulf Pipeline, will run from Kuwait through the Emirates, Saudi Arabia, and Oman to the Hadramaut port or the Mukalla port in Yemen. The other pipeline is intended to link the Al-Jubail in the Eastern region of Saudi Arabia, the largest oil reservoir in the world, to Yemen's sea port of Hadramaut or Mukalla.<sup>194</sup>

In addition to these two pipelines, the Gulf States could explore the option of channeling its oil through Saudi Arabia's existing 5 mbpd capacity East-West oil pipelines or the United Arab Emirates' 1.5 mbpd capacity oil pipeline to the coastal port of Fujairah.<sup>195</sup> Currently, construction of a pipeline to transport Abu Dhabi's oil directly to the Indian Ocean is ongoing—and if all goes according to plan—the pipeline will be in operation before the end of 2012. This provides another opportunity for the GCC states to minimize reliance on the Strait of Hormuz. Although the pipeline is intended to serve the State of United Arab Emirates, it can be expanded under GCC agreement to enable the other GCC states to export their oil more cheaply and safely. Minimizing the use of the

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<sup>192</sup> Aish Awais, "Exporting the gulf oil through yemen's ports on the Arabian sea coastline: Obstacles and incentives," Sheba Center for Strategic Studies, 2011, 1. Accessed February 8, 2012. <http://www.shebaass.com/docs/PolicyAnalysis/scssep014-10.pdf>

<sup>193</sup> Ibid, 1.

<sup>194</sup> Ibid, 2.

<sup>195</sup> Himendra Mohan Kumar, "Habshan – Fujairah oil pipeline will be ready within six months," *Gulfnews*, January 10, 2012. Accessed February 10, 2012. <http://gulfnews.com/business/oil-gas/habshan-fujairah-oil-pipeline-will-be-ready-within-six-months-1.963780>

strait of Hormuz would improve regional security, not only by reducing the economic costs of closing the passage, but also by increasing the ability of the U.S. to contain Iran without affecting the neighboring countries.

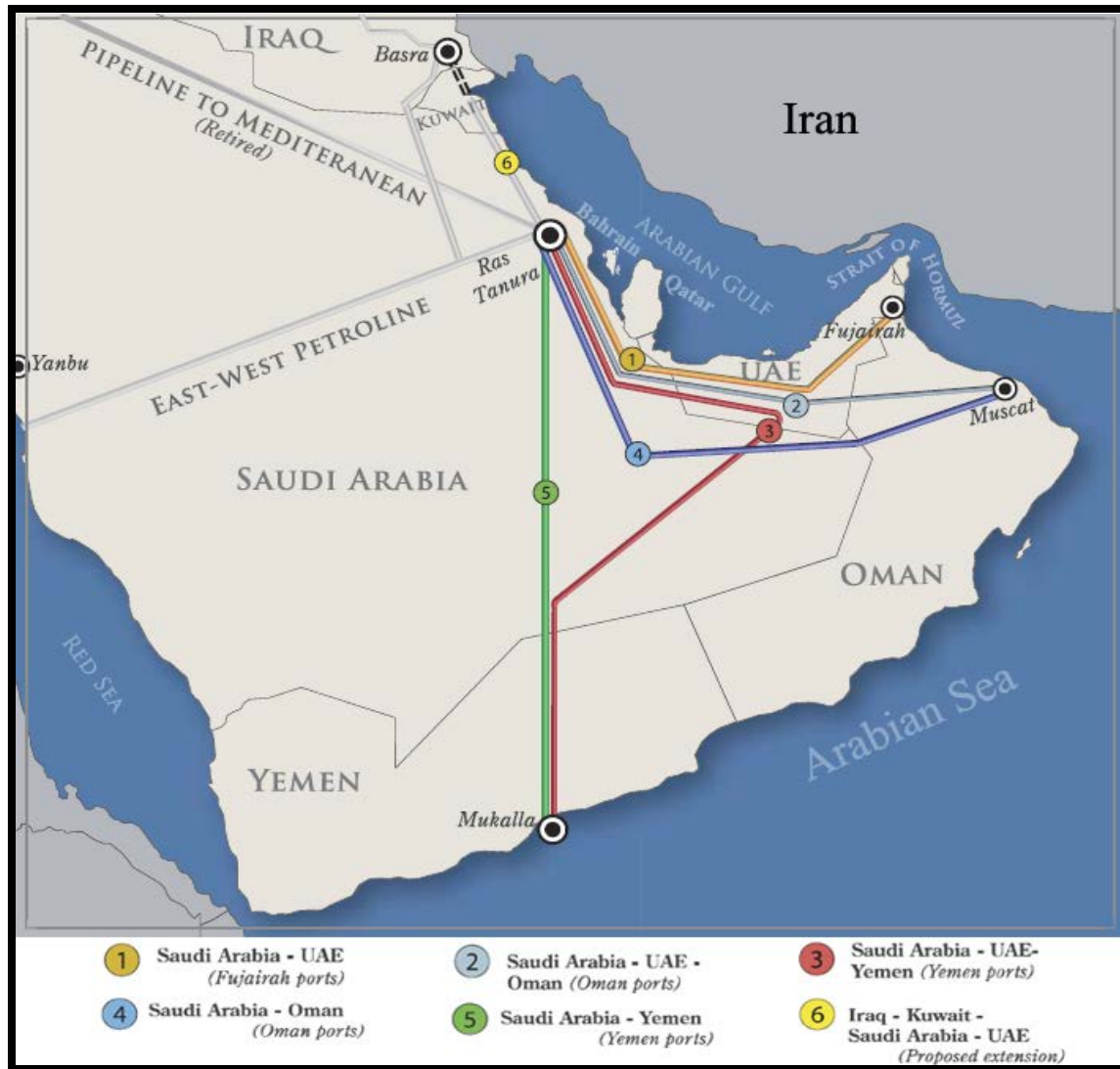


Figure 6. Trans-Arabian Peninsula Oil Pipelines.<sup>196</sup>

The success of this pipeline project depends not only on the viability of the idea, but also on the shared interests of the Gulf States and Yemen. The Gulf States will be guaranteed a safe route for exporting its oil and elimination of the security risks

<sup>196</sup> Gulf Research Center, 'Trans-Arabia Oil Pipelines', *Security and Terrorism Research Bulletin*, Issue no. 6, August 2007, 5.

associated with reliance on the Strait of Hormuz. On the other hand, Yemen would be more than willing to benefit from the huge profits that such an arrangement could bring into the country. In addition, the initiative will promote the development of cooperation mechanisms and boost diplomatic relations between Yemen and the Gulf States based on common interests. Indeed, this would be one of the most promising strategies to persuade the GCC for making Yemen an integral part of the bloc and mend past conflicts and Yemen's negative state image—further strengthening the GCC. Already, some of the major disputes between Yemen and some of the Gulf States, especially Saudi Arabia and Oman, have been settled effectively. This serves to strengthen the optimism of the Gulf States that the pipeline project would be successful.<sup>197</sup>

Moreover, the construction of an alternative to the Strait of Hormuz would do more than promote the interests of Gulf States; the international community including America, Europe, and Asia would benefit too. First, these states would not need to worry about being cut-off from their oil supply in the event that Iran closes the Strait of Hormuz. Second, the cost of importing oil from the Gulf States would decrease, since the distance between Yemen and the importing countries is much shorter than the distance between the Gulf of Arabia and the importing states.<sup>198</sup> As a result, the project is likely to attract support and funding from members of the international community and further strengthen U.S. relations with the Gulf States. This is important because the Gulf States will remain dependent on international assistance in case of a major security threat.

The large volume of sea trade contributes to the development and diversification of GCC income sources. To support this large volume, the GCC states have established modern seaports with various kinds of terminals to accommodate a wide diversity of vessels and ships for transferring passengers, oil, gas, petrochemical products, logistics, freights, and commodities. The GCC states have developed more than 35 seaports along the coastlines of the Arabian Gulf, the Gulf of Oman, the Arabian Sea, and the Red

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<sup>197</sup> Awas, 2.

<sup>198</sup> Kumar, 1.

Sea.<sup>199</sup> Currently, most of these ports are witnessing huge expansions to absorb the increasing demand. In case Iran attempts to close Hormuz in the Arabian Gulf, these other ports in the Gulf of Oman, the Arabian Sea, and the Red Sea would be capable of providing sea-route alternatives to facilitate the movement of trade and navigation. In order to promote port-port or port-market operations, the GCC has linked all of its seaports and domestic markets to a modern transportation network of roads and railways.

GCC Ports	2004	2005	2006	2007	2008	2009	2010	Share
UAE	9,001	10,273	11,488	13,185	14,743	14,173	14,623	58.9%
KSA	3,185	3,733	3,864	4,209	4,653	4,430	5,313	21.4%
Oman	2,516	2,749	2,620	2,877	3,428	3,768	3,589	14.4%
Kuwait	578	673	750	877	1,028	926	935	3.8%
Bahrain	193	196	215	239	263	280	380	1.5%
Total	15,473	17,624	18,937	21,387	24,115	23,577	24,840	100%

Table 3. The Volume growth of some GCC ports (2004–2010) in thousands of TEU.<sup>200</sup>

### C. STRATEGY II: PURSUE ECONOMIC DIVERSIFICATION POLICY

The Gulf States feel that their economic viability for the long run, and thus the security of GCC governments, will be mainly determined by their actual progress to reduce heavy reliance on oil revenues.<sup>201</sup> In turn, this will depend on the collective effectiveness of the governments to remove the obstacles that hinder the establishment of a customs union which lays the foundation of efficient industrialization and establishes economic diversification among the GCC States.<sup>202</sup>

<sup>199</sup> MARKAZ, "Iran Boasts of Capacity to Make Bomb Fuel." *Kuwait Financial Centre S.A.K "Markaz"*, (2011), 1. Accessed in February 27, 2012.

<http://www.markaz.com/DesktopModules/CRD/Attachments/GCCPorts-ExecutiveSummary-MarkazResearch-2011.pdf>

<sup>200</sup> MARKAZ, 1.

<sup>201</sup> Looney, 137–138.

<sup>202</sup> Ibid, 137–138.



The economies of the GCC States should continue to pursue an impressive economic transformation through a set of governmental policies for the development of economic diversification. The Governments in the GCC must establish and strengthen Sovereign Wealth Funds (SWF) to build up foreign assets which produced further fiscal surplus. The surplus would be used to reduce the debt of each government, which subsequently would positively contribute to the growth of the Gross Domestic Product (GDP). The GCC should not only seek to spend the revenue on funding large-scale projects, but also must encourage the participation of private sector and Foreign Direct Investments (FDI) in capital and infrastructure projects. The GCC States should also expand the non-oil sector, and reduce reliance on oil and gas, to avoid being caught in the “Dutch Disease.” In addition to improving the investment climate and removing trade barriers, the GCC governments should establish regulations to administer the free trade zones, to allow full foreign ownership, to support manufacturing, and to improve the banking sector.

#### **D. STRATEGY III: PURSUE SELF-RELIANCE IN REGIONAL SECURITY PROVISION**

The slow progress of GCC towards achieving self-reliance in providing regional security implies that Gulf States will continue to depend on external help for security until they gain full control of the region. Currently, the GCC does not qualify to be a regional multilateral organization, and hence, cannot guarantee regional security on its own for several reasons. First, its rigid structure built around monarchism, and other similarities in its foreign policies, limits its capability for expansion.<sup>203</sup> The Gulf States have similar international relations, especially with the United States, common enemies, and similar perceptions of pertinent issues such as Islamic extremism and Israeli-Palestinian conflict. These commonalities limit the GCC’s capacity to accommodate Iraq and Iran. Leaving these countries out equates to the creation of “otherness” within the region, hence fueling conflicts instead of extinguishing them.<sup>204</sup>

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<sup>203</sup> Kraig, “Assessing alternative security frameworks for the Persian gulf,” 149.

<sup>204</sup> Hunter, “Building security in the Persian gulf,” 31.

Second, the Gulf States have been reluctant to integrate their capabilities despite having so much in common.<sup>205</sup> On the contrary, they have embarked on improving individual defenses, not only to deter their external enemies such as Iran, but also each other. Finally, to achieve a strong multilateral cooperation, individual states must be willing to sacrifice some degree of individual state sovereignty in favor of policy alternatives that will yield common good. Unfortunately, the Gulf States are relatively new, hence they prioritize state-identity building which demands limited sharing of information, defense capabilities, and finance. This explains why GCC states have, in the past, failed to put up a strong military defense to deter insecurity in the region. In the meantime, the dependence of individual Gulf States on external powers, especially the United States, will continue to guarantee significant gains for the GCC states at the regional level. These include economic gains from trade and financial aid, and defense against hostile and seemingly stronger neighbors such as Iran. Such defense is also crucial for smaller states within the GCC that feel intimidated by larger states such as Saudi Arabia. In addition, owing to insufficient industrial and technological capabilities required to provide security in the region, the GCC cannot possibly imagine maintaining a stable balance of power and deterring conflicts without assistance from outside powers.<sup>206</sup>

The great powers have an effective role for balancing the power in a regional system due to their superior and potential capabilities, as well as the reliance of the local actor on stronger and capable allies.<sup>207</sup> The United States has a particularly great role to play in determining the future of the GCC as a regional security network. Over the last two decades, U.S. interests in the areas of Gulf oil, Israeli protection, and provision of support to favorable regimes have shaped development in the Gulf region.<sup>208</sup> However, there are several reasons why the GCC should not continue to rely on external powers for

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<sup>205</sup> Kraig, 149.

<sup>206</sup> Kraig, 150.

<sup>207</sup> Benjamin Miller, "The International System and Regional Balance in the Middle East," in *Balance of Power: Theory and Practice in the 21st Century*, T.V Paul, James J. Wirtz, and Michel Fortmann, eds. (Stanford University Press, 2004), 240.

<sup>208</sup> Alterman, 1/11.

security. First, the strong presence of external security providers contributes to internal instabilities, since they demonstrate that local governments are unable to manage their own defenses. Therefore, local populations feel they are the victims of what may be called neo-imperialism.<sup>209</sup> Second, the continued access to external sources of security may obscure the need for state governments in the Gulf to establish common defense mechanisms—multilateral arrangements for weapons control and training. This state of events may promote indefinite reliance on the less effective bilateral arrangements to provide security. Third, presence of outside powers will hinder general cooperation and collective efforts among the Gulf States. This is because such support may cause individual states to prioritize achievement of state foreign goals by taking advantage of their relative endowment rather than compromising such advantages for the common good.

Fourth, the continued participation of external powers in the Gulf may lead to the establishment of a new regional order based on foreign ideologies and policies as each power attempts to establish dominion over its competitors in the region. For instance, due to the Gulf's endowment with oil and other resources, China, the United States, and Russia have been competing to gain a foothold in the region.<sup>210</sup> In addition, the external powers may take advantage of the region's need for security to shape state practices in a bid to secure their political and economic objectives. Their influence could distract regional cooperation, and hence, hinder the GCC's ability to become a successful security entity. Finally, the approaches used by external powers to provide security in the region may offset the balance of power, thus complicating the security dilemma. Deterrence practices such as the purchase of weapons or the forming of alliances may be interpreted as offensive by the opponent, hence increasing tension between opposing powers. For instance, close ties between the United States and the GCC states involving arms

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<sup>209</sup> Kraig, 150.

<sup>210</sup> Ibid, 151.

transfers may be viewed as a threat to Iran, and hence provoke Iran to adopt defense mechanisms that are more aggressive, such as purchase of long-range missiles and nuclear capabilities.<sup>211</sup>

According to Stephen Walt, “If the United States is not going to try and control the Persian Gulf itself and is not going to withdraw and leave it alone entirely, then the only alternative is to try and encourage a (new) balance of power there. This is not a perfect policy, perhaps, just the best alternative.”<sup>212</sup> Although the U.S. presence in the Gulf has maintained stability in the region, the public support for its strong presence has declined tremendously, dismissing it as imperialism. Such criticism only indicates that the Gulf needs to pursue self-reliance in providing security to its members. If self-reliance means independence from America, then the GCC will need to come up with a strategy to contain Iran. Currently, the U.S. keeps Iran under check through unilateral means. Clearly, the GCC does not have the power to impose sanctions on Iran. However, it can pursue policies that would welcome Iran to become a state party rather than create tension by labeling it as an enemy.<sup>213</sup> However, Iran’s ambitious plans to export its revolution and exert influence on all the Gulf States, coupled with its military nuclear power program, are sufficient reasons to prove that the country would not be willing to cooperate with the GCC in the near future and demonstrate the need for tougher security strategies.

Owing to the fragility of interstate relations among GCC members, indigenous efforts alone cannot guarantee achievement of an effective security framework. Therefore, the GCC should welcome the participation of external powers in the process of establishing a lasting balance of power that is based on mutual coexistence for the common good. However, external contribution towards cooperative security must be multi-faceted. So far, military empowerment practices such as weapon provision and enhancement of deployment capabilities have dominated outside contributions to the

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<sup>211</sup> Ibid, 151.

<sup>212</sup> Stephen Walt on the U.S., Iran, and the New Balance of Power in the Persian Gulf, August 5, 2008. <http://www.belfercenter.org>

<sup>213</sup> Hunter, 31.

balance of power in the Gulf. Military balance alone is insufficient if the GCC is to achieve cooperative security. Instead, outside powers such as the United States should provide political and diplomatic assurance to state governments that a cooperative-based security mechanism is the best long-term solution to the Gulf security dilemma. In the meantime, the use of military capabilities should be regulated to allow progress towards achievement of cooperative security.

**E. STRATEGY IV: ESTABLISHMENT OF EXTERNAL AND INTERNAL SECURITY FORCES FOR THE GCC**

Maintaining calm within member states and protecting the Gulf region from external threats should be one of the priorities of the GCC as it moves towards self-reliance as a regional security provider. Currently, the GCC must confront Iran's attempt to cause disruption in the region by establishing a foothold in each of the GCC's member states as well as its neighbors.<sup>214</sup> Iran seeks to undermine U.S. influence in the area by exerting economic, political, and military influence on as many states as it can in the Middle East. The main goal of Iran appears to be to become the most powerful and influential state in the region. Some of the means Iran is using to gain such dominance includes missile and nuclear armament, deterring U.S. military action, and mobilizing extremists that are likely to cause conflicts and instability.

There are several reasons to believe that the GCC should establish a strong law enforcement strategy to maintain law and order in the region. Iran and Saudi Arabia, along with the rest of GCC members, are locked up in a tight competition for regional dominion.<sup>215</sup> Although the two blocs maintain friendly relations superficially, Iran is determined to take advantage of Iraq's predicament to regain political and military influence. In response, the GCC considers mitigating Iran's influence as one of its main political agendas. Despite frequent public comments that improved Iran-GCC ties would provide solutions to many of the problems facing Middle East countries, there are many political, ideological, religious, and military issues that threaten to tear the two entities

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<sup>214</sup> Allison, "U.S. and Iranian strategic competition: Saudi Arabia and the gulf states," 3.

<sup>215</sup> Ibid, 9.

apart. The absence of Iraq means that Iran has a greater capability to pursue ambitious expansionist plans. Iran's military expansion plans present a significant threat to GCC States, especially due to Iran's capabilities and its continuous attempts to disrupt trade.

Religious differences are one of the main causes of tension between Iran and the GCC in general, and Saudi Arabia in particular. Since its establishment, Saudi Arabia has taken up the role of defending the political and spiritual interests of Sunni Muslims.<sup>216</sup> On the other hand, Iran is committed to spreading its Shiite revolution to all Islamic countries based on its belief that it is the legitimate leader and defender of the Islamic faith. These religious ideologies not only cause religious tensions, but also political conflicts in the whole Middle East region. Both countries appear to compete for the support of the other Gulf States. Saudi Arabia is particularly interested in becoming the leader of Southern Gulf region. However, the other GCC states have frowned upon Saudi Arabia's initiatives due to failure to agree on military, finance, and other pertinent issues. Iran, on the other hand, has adopted different policies towards each of the gulf countries to gain competitive advantage over Saudi Arabia. However, it is difficult to determine the effectiveness of Iran's strategies. What is clear is that the GCC states have a divided and fluctuating support for both Iran and Saudi Arabia.

The need for the GCC to establish a regional defense force is now more obvious than ever as the competition between Iran and the U.S. for Saudi Arabia builds up. Saudi Arabia is perhaps the most influential of the GCC states due to its long history of cooperation with the United States.<sup>217</sup> Saudi Arabia, along with other members of GCC, and the United States have a shared interest in taming Iran, providing security in the gulf region, and maintaining reliable flow of oil from the region. In addition, Saudi Arabia is committed to combating terrorism, dealing with conflict in the horn of Africa, and streamlining relationships with Yemen. These goals cannot be achieved without a strong military force. Further, Iran, being the main potential threat to security in the region, has a record of using violence to gain dominion if conditions allow. For instance, the 1980s Iran-Iraq war resulted from competition for dominion between Khomeini and Saddam

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<sup>216</sup> Ibid, 10.

<sup>217</sup> Allison, 3.

Hussein. Now that Iraq is no longer a major player in the power game in the region, Iran is determined to take over as soon as the United States loosens its grip. Since Saudi Arabia is Iran's immediate enemy if foreign actors are excluded, the GCC has a reason to be concerned.

As a response to the growing Iranian threat, especially after Iraq has ceased to be a dominant regional actor, the United States has focused on improving military cooperation among GCC members. The Gulf States should cooperate with the United States to develop a strong military force that can deter a possible Iranian attack. The urgency and the need for such a force cannot be questioned considering that Iran has been pursuing nuclear capabilities that it could use when the need arises.<sup>218</sup> So far, the Gulf region has been deliberating on how to best secure the region through counterterrorism, military cooperation, and maritime protection. Apart from establishing a joint military force to combat external threats, the GCC should also ensure each member state has a strong internal security force to combat acts of terrorism from extremists. In particular, most of the GCC member states are familiar with Shiite uprisings.<sup>219</sup> These groups clash with other Muslims in Saudi Arabia, Kuwait, Yemen, and Bahrain due to differences in religious schools of thought. The groups are also thought to be incited by state actors, especially Iran, to wreak havoc within state borders. Therefore, combating such internal threats should be up towards the top of the GCC's agenda. Therefore, it is necessary for the GCC to enhance its internal security forces for: protecting national infrastructures; maintaining discipline, law, and order; and ensuring the enforcement of basic human rights, equality, and justice.

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<sup>218</sup> Allison, 5.

<sup>219</sup> Ibid, 15.

## **F. STRATEGY V: STRENGTHENING MARITIME CAPABILITIES FOR THE PENINSULA SHIELD FORCE**

According to Mahan's doctrine—in order to preserve the maritime state's interest—sea power emerges to maintain naval supremacy, Control vital maritime areas, protect sea lines of communications, and deny the enemy's gain of sea commerce.<sup>220</sup>

Securing the seaports, sea routes, and coastal areas in the Gulf region should be part of the GCC's approach to providing regional security. Failure to do so would mean that rogue states could target these areas and compromise the main route for transporting goods to and from the region. A comprehensive regional maritime security would include all member states of the GCC, and other actors in the region, especially: Iraq, Iran (*if they agreed to participate*), and Yemen, as well as other relevant states outside the region such as India, Pakistan, Bangladesh, Sri Lanka, and Singapore.<sup>221</sup> However, it is impossible to launch a maritime security strategy with all these players at once. Instead, the project should start small, involving only GCC states, and then be extended to include the wider Gulf members and finally the international community. Maritime security is a complex issue due to the many stakeholders involved, such as transportation department, offshore oil operations, coastguard, customs, marine police, and navy. Although navies are involved in maritime security provision, the responsibility of formulating maritime policies should be delegated to coast guards from all of the participating states. Coast guards would thus be the primary maritime security providers whose responsibilities would include information gathering and sharing among themselves and other relevant maritime institutions. The navy would be the strategic and operational maritime security provider. In addition, they would liaise with air force units, providing surveillance beyond the shoreline, and address environmental, humanitarian, and economic issues relevant to maintaining regional maritime security.<sup>222</sup>

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<sup>220</sup> Alfred Thayer Mahan, *The Influence of Sea Power upon History, 1660—1783* (1890;reprint, New York: Dover, 1987).

<sup>221</sup> Alani, "Toward a comprehensive maritime security arrangement in the gulf,"32.

<sup>222</sup> Ibid, 32.



Currently, various Gulf States in the GCC have taken individual initiatives to secure their sea routes. For instance, the United Arab Emirates is developing naval bases and naval fleets with high-speed capabilities to enable it to enhance its maritime defensive capabilities and to deter piracy and maritime terrorism.<sup>223</sup> On the other hand, Saudi Arabia has invested in the development of medium and large surface assets—as well as air forces—to improve its defense competence. Its ships are more modern, stronger, and have remarkably impressive amphibious capabilities.<sup>224</sup> However, they are less proficient and prepared for effective use. Bahrain and Qatar are expanding their air and naval capabilities. While nearly all Gulf States are improving their naval and surface assets, they do not have sufficient resources and the will to form a strong collective maritime defense.

In addition, they have not fully exploited such options as sustainment, interoperability, and force multipliers. The individual state efforts could be integrated to improve their effectiveness in providing regional maritime security. The widespread attempts to improve naval and air strength among the GCC states indicates their realization that such a move would be necessary to safeguard maritime resources. Hence, launching a similar project on a regional basis would acquire widespread support. However, the need to move faster in this direction does not need more emphasis than the fact that Iran has the most well-equipped navy force in the Gulf whose capabilities include surface-surface missiles that are equipped in patrol craft.<sup>225</sup>

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<sup>223</sup> Cordesman et al., “The Gulf Military balance in 2010,” 2.

<sup>224</sup> Ibid, 7.

<sup>225</sup> Cordesman et al., 7.

Naval Ships and Boats							
	Iran	GCC					
		KSA	UAE	Bahrain	Kuwait	Oman	Qatar
Swimmer Delivery Vehicle SDVs	8						
Submarines	3						
Midget Submarines	12						
Major Missile Combat	5	11	2	3		2	
Major Other Combat	1						
Missile Patrol	57	9	8	4	10	3	7
Other Patrol	76	17	6	4		8	10
Armed Boat	117	39	16				11
Mine	7	7	2				
Landing Craft	14	8	28	9		5	
Amphibious Ships	17					1	1
Support	26	5	3	4	1	5	
Total	343	96	65	24	11	24	29
Naval Aviation Helicopter							
AH-64		12	30		12		
AS-565		15	7				
AS-532 Exocet		12					
SA-342 HOT			10		13		11
AH-1J	50						
AH-1E				22			
SH-3D	10						
Commando Exocet							8
AS-332 Exocet			7				
RH-53D	3						
Total	63	39	54	22	25	0	19

Table 4. Iran-GCC Naval Assets.<sup>226</sup>

Governing a comprehensive regional maritime security is a complex issue that requires proper planning and structuring to be effective. The GCC could adopt the European Union model of governance since it has proved to be effective and acceptable to the international community.<sup>227</sup> This model has different operational levels. The first level of cooperation is intended to handle soft security, and social and economic matters,

<sup>226</sup> Cordesman. "Iran and the Gulf military balance-I: The Conventional and Asymmetric Dimensions," 54–57.

<sup>227</sup> Alani, 34.

that do not involve the military. This level would aim at preparing the way for higher levels of cooperation that are required to manage an effective maritime security strategy. A wide range of marine security issues could be handled at this level. These include search and rescue, prevention of illegal fishing, waste disposal, oil spill management, sea transport issues, and the management of the coastal zone. Cooperation at this level would include information sharing, communication, the and the collecting and sharing of intelligence at state and regional levels to keep the organization updated on matters pertaining to marine security.

The second level of marine governance would consist of a cooperative framework for combating criminal activities that may threaten trade activities at the Gulf coast and at sea. These include piracy, drug and human trafficking, and the smuggling of weapons. This level may involve the extension of regional maritime security to cover the Aden and the Arabian seas, hence increasing access to Indian Ocean transport routes.<sup>228</sup> To ensure effectiveness at this level, the GCC states need to form a regional coast guard or navy to ensure maritime security. Finally, the third level of cooperative maritime security would focus on strategic security whose purpose is to prevent miscommunication and misunderstandings among maritime forces that could result in unnecessary military clashes. Establishing trust among the GCC states will help to alleviate any conflicting interests that could stand in the way of building a comprehensive regional maritime security.<sup>229</sup>

Protecting seaports and other maritime resources should be part of a grand plan to safeguard the whole Gulf region from all forms of security threats. Indeed, a maritime security unit could be integrated into the existing Peninsula Shield Forces as part of a comprehensive strategy to make the force more useful. However, this would not work without ironing out issues affecting the Peninsula Shield Force itself. The force was established in 1986 with a view to signify a landmark progress towards military

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<sup>228</sup> Anani, 35.

<sup>229</sup> Alani, 36.

cooperation and ultimately a collective defense.<sup>230</sup> However, the force proved ineffective in 1990 for failing to prevent Iraq from invading Kuwait.<sup>231</sup> The main challenge that the GCC states should address is how to bring together their different ideas of how a joint defense force should operate and arrive at a consensus. This is because lack of consensus on this matter has rendered the Peninsula Shield Force ineffective. While Saudi Arabia and Oman have held the view that the force would become competent enough to help resolve the regional conflict problem, other GCC states discredit the force because of its past failures, hence limiting any cooperative effort to improve the force.<sup>232</sup> There are also concerns among the smaller GCC states that the Peninsula Shield Force is not essentially a joint force due to the high percentage of Saudi and UAE forces. As such, these states do not feel that they are invested in the force equally. Under such conditions, it would be even more difficult to expand the force based on equal state contributions since the states have different capabilities. These perceptions should be discarded because the collective initiative would succeed if individual states were willing to compromise part of their pride or sovereignties for the common good.

#### **G. STRATEGY VI: EXPLORING ALLIANCE WITH TURKEY**

The capability of Turkey to contribute towards peace-building in the Middle East is growing rapidly.<sup>233</sup> The country has undergone tremendous political, legal, and economic reforms in the past few decades, including the challenge of fulfilling the criteria for joining the EU. In addition, the country has adopted more liberal domestic and foreign policies to replace its decades-old, cold-war-like strategies. Turkey can participate in providing regional security through role-modeling. The Gulf States have been used to a system characterized by conflicts, economic turmoil, and authoritarianism. Since Turkey has emerged out of this system to join the EU system—characterized by

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<sup>230</sup> Koch, 27.

<sup>231</sup> Ibid, 26.

<sup>232</sup> Ibid, 27.

<sup>233</sup> Bulent Aras, *Turkey and the GCC: An emerging relationship*. Middle East Policy 12 no. 4 (Winter 2005), 89. <http://www.bulentaras.com/fp/files/mepgccarticle.pdf>

democracy, economic empowerment, and stability—the country could provide the influence needed to promote reform in other states. Turkey has also indicated its willingness to participate in diplomatic arrangements to promote peace in the region, especially towards solving the Arab-Israeli conflict. Although it did not participate in the U.S.-led war in Iraq, Turkey helped to mobilize regional support for a better Iraq state.<sup>234</sup> For instance, Turkey has conducted several meetings with Iraq's neighbors including Saudi Arabia, Bahrain, and Kuwait to lobby for regional cooperation on the question of Iraq.

Alliance with Turkey would ease the GCC's burden of solving the security equation in the Gulf region, especially possible threats from Iran and Iraq. Turkey has a long history of absenting itself from Gulf issues. Indeed, following the collapse of Ottoman rule during the First World War, Turkey's relations with Gulf nations deteriorated.<sup>235</sup> However, since the mid-1980s, Turkey began to open up relations with the Gulf States, especially Saudi Arabia, in a bid to explore new markets. Since then, there has been a steady growth in Turkey's investment in the Gulf.<sup>236</sup> It has quadrupled from U.S.\$2.1 billion in 2002 to U.S.\$8 billion in 2009. Gulf corporations have also invested billions of dollars in Turkey's economy, especially in banks, real estate, education, and health institutions.<sup>237</sup> Another important sign of a possible alliance with Turkey was the signing of a Memorandum of Understanding between Turkey and Bahrain in 2005 aimed at improving economic cooperation, information sharing, and exchange of technological know-how. In addition, a huge step towards a GCC-Turkey alliance was the declaration by GCC foreign ministers that Turkey is a strategic partner, followed by the signing of a memorandum of understanding to support dialogue on economic, political, and security matters in 2008.

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<sup>234</sup> Ibid, 90.

<sup>235</sup> Baskan Birol, "Turkey-GCC relations: is there a future?" *Birol Baskan Insight Turkey* 13 no. 1 (2011), 159–173.

<sup>236</sup> Sean Foley, "Turkey and the Gulf states in the twenty-first century," *Middle East Review of International Affairs* 14 no. 3 (2010), 29–37.

<sup>237</sup> Foley, 33.

These developments in GCC relations with Turkey demonstrate that Turkey is a potentially viable player in the future of Gulf regional security. What then are Turkey's capabilities? According to 2009 statistics, Turkey is the 15<sup>th</sup> most prosperous economy worldwide.<sup>238</sup> The country is endowed with sufficient human capital for military developments and has the largest army in the European Union. Turkey's defense is quite strong and its involvement in international operations is increasing. These strengths indicate that Turkey can contribute significantly towards securing the Gulf region. However, its exact role in the GCC must not be that of an external security provider because: first, the state is not fully equipped to do so; and second, such an approach could jeopardize its relations with Iran. Instead, Turkey can bridge the gap between the GCC and the European states through its relations with NATO. One indicator of a movement in this direction is Turkey's role in the establishment of the Istanbul Cooperation (ICI), intended to strengthen NATO-Middle East relations, in 2004.<sup>239</sup> Such ties would help to strengthen the access to external military support that the GCC requires to ensure stability in the region as it develops long-term security strategies. In addition, Turkey can strengthen the GCC states through the sharing its century-old experience in state building. Turkey's state institutions are more established and stable in relation to those of the relatively new Gulf States; hence the country can serve as a role model to the GCC states.<sup>240</sup> Strengthening the GCC states is essential in securing the Gulf region because it will promote cooperation based on common interest.

#### **H. STRATEGY VII: EXPLOIT OMAN'S GOOD RELATIONS WITH IRAN FOR THE COMMON GOOD**

Oman has pursued exemplary foreign policies that have kept it on good terms with Iran and Iraq despite the many conflicts that have swept across the Middle East region over the last four decades. Between 1970 and 1975, Oman took a pragmatic approach in response to Iran's ambitious attempts to assert its dominion in the Arab

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<sup>238</sup> Birol, 161.

<sup>239</sup> Ibid, 162.

<sup>240</sup> Aras, "Turkey and the GCC: An emerging relationship," 89.

world, culminating in the seizure of two United Arab Emirates' islands. Oman, realizing its weakness, acknowledged Iran's regional dominion and sought its military support in crushing the Dhufar rebellion.<sup>241</sup> During the same period, Oman entered into a border agreement with Iran on the Strait of Hormuz, which enabled Oman to receive direct support from Iran in ending internal instability. Between 1976 and 1980, Oman focused on building its economy after successfully ending civil conflict and the Dhufur war. To do so, Oman sought to expand its relations with other Gulf States, the wider Middle East region, and the United States.<sup>242</sup> It also maintained its cordial relations with Iran despite the instability in the region that led many Arab states, including Iran, into breaking their diplomatic ties with Egypt. Further, Oman passed the 1981–1985 Iran-Iraq “war test” by not siding with either of the two warring nations, and hence maintaining its regional and external ties. When Iraq invaded Kuwait, Oman helped to quell the war, retaining its ties with the two countries.<sup>243</sup>

These and other accomplishments demonstrate Oman's capability to play a mediatory role in enabling the GCC to achieve long-term regional security goals. Oman seems to realize that pulling away from Iran will only complicate the process of achieving both regional security and internal security since Iran is a major economic and political actor in the region.<sup>244</sup> Therefore, if the GCC wishes to pursue soft power policies to contain Iran, Oman would be best suited to do so. Although Oman relates with Iran for individual reasons, such relations could be expanded if the GCC wishes to minimize possible confrontations with Iran. However, relations with Iran must be handled with care in the meantime due to a possible clash with the United States. Since

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<sup>241</sup> RAND, “Oman: a unique foreign policy,” January 25, 2012, 1. Accessed February 9, 2012. [http://www.rand.org/pubs/research\\_briefs/RB2501/index1.html](http://www.rand.org/pubs/research_briefs/RB2501/index1.html)

<sup>242</sup> Berkshire J. Miller, “Omani Road to Iran,” *The Diplomat*, November 4, 2011, 1. Accessed February 9, 2012. <http://the-diplomat.com/flashpoints-blog/2011/11/04/the-omani-road-to-iran/>

<sup>243</sup> RAND, “Oman: a unique foreign policy,” 2.

<sup>244</sup> Michael Slackman, “Oman navigates between Iran and Arab Nations,” *New York Times*, May 16, 2009, 2/3. accessed February 9, 2012. <http://www.nytimes.com/2009/05/16/world/middleeast/16oman.html?pa>

the United States is currently the main external security provider to the Gulf region, the GCC cannot pursue questionable diplomatic ties with their guarantor's enemy.

## **I. STRATEGY VIII: TRANSITIONING TO GULF UNION**

According to constructivists like Wendet, the role of geography is one of the most facilitating factors for the emergence of a shared identity. He believes that geography can lead to establish integration and form collective security among member states in a region like that of the GCC. Geography, that Arabian Gulf divided the two blocs, could be another cause for disintegrations between the GCC States and Iran.<sup>245</sup>

The GCC is in the process of transitioning to a union, according to a proposal by Saudi Arabia's King Abdulla during the GCC's 32<sup>nd</sup> Summit.<sup>246</sup> GCC leaders agreed that forming a union of member states would enhance their capability to address the challenges facing the GCC, especially security threats. Within the union, GCC leaders will be able to enforce reform strategies such as: protection of their citizens from violation of rights, the strengthening of democracy, and the fight against discrimination. These elements are necessary in promoting public acceptance of collective initiatives such as a unified defense and economy. Strengthening the ties within GCC states is crucial in promoting the ability of the organization to address security issues affecting the Gulf region. This cannot be achieved while the GCC remains in the cooperation stage; instead, it should transition to a Gulf Union as soon as possible.<sup>247</sup> During the summit, the GCC states expressed their willingness to increase commitment to matters of regional security by working together to combat foreign incitement and sectarianism. A stronger Gulf Union will be better equipped to handle the tough political challenge of crisis management in the region by maintaining a workable balance of power.<sup>248</sup> The shared

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<sup>245</sup> Ibid, 178.

<sup>246</sup> "GCC's Strengthening unity," *Khaleej Times*, February 3, 2012, 1/3. Accessed February 9, 2010. <http://www.khaleejtimes.com/DisplayArticle08.asp?xfile=data/editorial/>

<sup>247</sup> Ibid, para 1.

<sup>248</sup> Tanvir Ahmad Khan, "GCC union will keep region stable." *Gulfnews*, February 4, 2012. Accessed February 10, 2012. <http://gulfnews.com/opinions/columnists/gcc-union-will-keep-region-stable-1.956809>



interests among the GCC states—such as common currency, religion, and customs law—should be adequate incentives to accelerate the process of transitioning to the Gulf Union.

Country	Name of SWF	Established	Estimated in Billions
Saudi Arabia	Saudi Arabia Monetary Agency (SAMA)	1952	\$270
UAE (Abu Dhabi)	Abu Dhabi Investment Authority (ADIA)	1976	\$500 - \$875
	International Petroleum Investment Company (IPIC)	1984	\$12
	Mubadala Development Company	2002	\$10
UAE (Dubai)	Istithmar World	2003	\$12
	Dubai International Capital	2004	\$13
	Investment Corporation of Dubai	2006	\$82
Kuwait	Kuwait Investment Authority	1953	\$213
Qatar	Qatar Investment Authority	2005	\$60
Oman	State General Reserve Fund	1980	\$13
Total			\$1560

Table 5. GCC states Sovereign Wealth Funds (SWF).<sup>249</sup>

The Gulf Union would be the right step towards effective security and economic policies. The GCC could exploit the soft power as a tool of influence in both politics and economics. The economic diversification, media, Sovereign Wealth Funds (SWF), common, and global markets are examples of soft power. The GCC collectively holds in its Sovereign Wealth Funds (SWF) more than 1.5 trillion dollars, which accounts for 52% of the non-pension SWF. In addition, members of GCC like Qatar has Al Jazeera, and the UAE along with Saudi Arabia have al-Arabiya, which are the leading news channels—not only for the Middle East but also competing with famous international media and news channels. Utilizing such tools, the Gulf Union would be the main hub of business and media.

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<sup>249</sup>Edwin M. Truman, “A Blueprint for Sovereign Wealth Fund Best Practices,” Policy Brief 08–3, (Washington,D.C.: Peterson Institute for International Economics, April 2008), own assessments.

## **J. STRATEGY IX: ESTABLISHMENT OF STRATEGIC OIL RESERVES THROUGH PARTNERSHIP WITH OECD STATES**

Partnership with a member state of the Organization for Economic Co-operation and Development (OECD) could provide GCC states with opportunities for establishing alternative oil reserves and boost the region's energy security. The United Arab Emirates (UAE) is strategically positioned to mediate the process of establishing such a partnership.

The UAE's close relations with the international community and its individual contributions towards solving the Iran problem demonstrates that it is capable of expanding the GCC's capability to provide security to the region. Its relations with Japan and the United States, both of which are members of the OECD, could open more opportunities for the GCC to secure its energy supplies, among other benefits. Currently, Abu Dhabi is working on an arrangement to establish oil storage facilities in Japan, where it exports most of its oil. Under this arrangement, the Abu Dhabi National Oil Company (ADNOC) will develop crude oil reserves in Japan's Kiire Oil Terminal to hold more than 600000 kilolitres of crude as a measure to gain energy security.<sup>250</sup> The project will enable Abu Dhabi to establish stronger trade ties with the East Asian oil market. Japan will also benefit by maintaining oil reservoirs at home that it can access in times of shortage.

This is a great opportunity, not only for UAE, but also the whole Gulf region through the GCC to strengthen its energy security and minimize dependence on the insecure Strait of Hormuz. By entering into a partnership agreement with the UAE, the GCC could access more energy security options, such as the channeling of its oil through the UAE to storage facilities in Japan and probably the United states. Since Japan and other members states of the International Energy agency are required to store at least 90 days equivalent of net oil imports, the GCC states stand a high chance of obtaining

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<sup>250</sup> "New Joint project on oil storage with the emirate of Abu Dhabi – commencement of the project, stock the crude oil produced by Abu Dhabi in Japan," 2009. Accessed February 9, 2012. [http://www.meti.go.jp/english/press/data/20090625\\_02.html](http://www.meti.go.jp/english/press/data/20090625_02.html)

storage facilities in foreign countries.<sup>251</sup> The idea of insuring Gulf oil by establishing safe storage facilities abroad is not entirely novel. For instance, Saudi Arabia had previously attempted to launch such a project with the United States.<sup>252</sup> With its wider influence on the other GCC states, Saudi Arabia would be better placed to mobilize other Gulf States to launch a collective oil storage plan in partnership with the UAE and its external trade partners.

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<sup>251</sup> IEA, "IEA response system for oil supply Emergencies," International Energy Agency, 2011. Accessed February 10, 2012. [http://www.iea.org/textbase/nppdf/free/rs/response\\_system.pdf](http://www.iea.org/textbase/nppdf/free/rs/response_system.pdf)

<sup>252</sup> Tamsin Carlisle, "Japan may store Abu Dhabi oil," *The National*, June 25, 2009 <http://www.thenational.ae/business/energy/japan-may-store-abu-dhabi-oil>

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